AmRest Holdings Spółka Europejska

Independent Registered Auditor's Report

Financial Statements

Report on Company's operations

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

For the year from 1 January to 31 December 2016

Content:

Translation note:
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AmRest Holdings Spółka Europejska

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

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

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

This report contains 7 consecutively numbered pages and consists of:

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I. General information about the Company

a. AmRest Holsings Spółka Europejska ("the Company") has its seat in Wrocław, pl. Grunwaldzki 25-27.

b. AmRest Holdings Spółka Europejska was established in the Netherlands in October 2000 as joint-stock company. On 19 September 2008, Commercial Chamber in Amsterdam registered the change in the legal status of the Company to a European Company (Societas Europeae) and of its name to AmRest Holdings Spółka Europejska. On 22 December 2008, the Company was entered in the Register of Businesses maintained by the District Court for Wrocław-Fabryczna VI Business Department of the National Court Register, with the reference number KRS 0000320252. The Court also registered the amendments to the Company's Articles of Association relating to the Company's registered office being moved to Poland.

c. On 16 January 2009 the Company was assigned a tax identification number (NIP) 101-00-02-998 for the purpose of making tax settlements. On 5 January 2009 the Company was assigned a REGON number 020891041 for statistical purposes.

d. As at 31 December 2016, and at the report signing date, the Company's share capital amounted to EUR 212,138.93 and consisted of 21,213.893 shares, with a nominal value of EUR 0,01 each. Total equity as at that date was positive and amounted to PLN 836,091 thousand.

e. As at 31 December 2016, and at the report signing date, the Company's shareholders were:

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

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I. General information about the Company (cont.)

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

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

f. In the audited year, the Company engaged mainly in holding operations, having shares in the following subsidiaries:

- AmRest Sp. z o.o. (Poland);
- AmRest s.r.o (Czech Republic);
- AmRest EOOD (Bulgaria);
- AmRest Acquisition Subsidiary, Inc. (USA);
- AmRest HK Limited (China);
- Blue Horizon Hospitality Group PTE Ltd. (China), the entity formed Group, which includes companies located mainly in China;
- AmRest FSVC, LLC (USA).

g. During the year the Management Board of the Company comprised:

- Mark Chandler Board Member;
- Drew O'Malley Board Member;
- Wojciech Mroczyński Board Member;
- Jacek Trybuchowski Board Member;
- Oksana Staniszewska Board Member;
- Olgierd Danielewicz Board Member.

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

I. General information about the Company (cont.)

h. The Company has the following related entities:

- FC Capital Lux (company exercising significant influence on the Company as defined in IAS 28),
- FCapital Dutch B.V. (immediate parent entity as defined in IFRS 10),
- Grupo Finaccess SA PL de CV (indirect parent entity as defined in IFRS 10),
- Grupo Far-Luca, S.A. de CV (ultimate parent entity as defined in IFRS 10),
- The companies which form the capital groups of parent entities together with their affiliates,
- Company's key management personnel and entities controlled by members of management and supervisory authorities,
- Carlos Fernández González (ultimate controlling party).

i. The Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. In accordance with the choice of selecting accounting policies permitted by the Accounting Act, the Company has decided to prepare its financial statements in accordance with IFRS as adopted by the European Union as of 2008.

The decision to prepare the Company's financial statements in accordance with these standards was made by the Company's Management Board on 11 December 2008 and approved by resolution of the Supervisory Board on 12 December 2008.

j. As the parent company of the Group, the Company has also prepared consolidated financial statements according to IFRS as adopted by the European Union as at 16 March 2017. To better understand the Company's financial position and its results of operations as the Parent Company, the financial statements should be read in conjunction with the consolidated financial statements.

II. Information about the audit

a. The audit of the financial statements for the year from 1 January to 31 December 2016 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor Katarzyna Ignaszak (no. 11715).

b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Company by Resolution No. 1/02/2015 of the Supervisory Board AmRest Holdings Spółka Europejska dated 23 February 2015 in accordance with paragraph 12 p. 1 d. of the Company's Memorandum of Association.

c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited entity within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2016, item 1000 as amended).

d. The audit was conducted in accordance with an agreement dated June 18,2015, in the following periods:

- interim audit from 15 October 2016 to 25 November 2016;
- final audit from 23 January 2017 to 16 March 2017.

e. An audit was conducted in accordance with International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. The scope of an audit was influenced by an application of materiality. In accordance with these auditing standards, the concept of materiality is applied by the auditor at the planning stage and when conducting the audit as well as to evaluate the effect of misstatements identified and adjusted (if any) on the financial statements, and to form the opinion in the Independent Registered Auditor's Report.

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

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

III. The Company's results, financial position and significant items of financial statements

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

	31.12.2016 PLN '000	31.12.2015 PLN '000	Change PLN '000	Change (%)	Structure 31.12.2016 (%)	Structure 31.12.2015 (%)
ASSETS						
Non-current assets	1,072,723	1,065,603	7,120	0.7	94.5	96.4
Current assets	62,735	39,637	23,098	58.3	5.5	3.6
Total assets	**1,135,458**	**1,105,240**	**30,218**	**2.7**	**100.0**	**100.0**
LIABILITIES AND EQUITY						
Equity	836,091	800,728	35,363	4.4	73.7	72.5
Long-term liabilities	291,110	301,113	(10,003)	(3.3)	25.6	27.2
Short-term liabilities	8,257	3,399	4,858	142.9	0.7	0.3
Total liabilities and equity	**1,135,458**	**1,105,240**	**30,218**	**2.7**	**100.0**	**100.0**

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

	2016 PLN '000	2015 PLN '000	Change PLN '000	Change (%)
Administrative expenses	(1,919)	(6,810)	4,891	(71.8)
Other operating income	35,564	13,521	22,043	>100.0
Other operating expenses	(7,829)	(10,919)	3,090	(28.3)
Finance income	32,367	18,148	14,219	78.4
Finance costs	(12,001)	(12,714)	713	(5.6)
Gross profit on sales	**46,182**	**1,226**	**44,956**	**>100.0**
Income tax expense	(383)	(579)	196	(33.9)
Net profit	**45,799**	**647**	**45,152**	**>100.0**
Other comprehensive income	-	-	-	-
Total net comprehensive income	**45,799**	**647**	**45,152**	**>100.0**

III. The Company's results, financial position and significant items of financial statements (cont.)

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

- At the end of the financial year, the Company's total assets amounted to PLN 1,135,458 thousand. During the year total assets increased by PLN 30,218 thousand, i.e. by 2.7%. This increase was financed mainly by generated net profit of PLN 45,799 thousand, with a simultaneous decrease in long-term trade payables and other liabilities of PLN 10,048 thousand.

- Administrative expenses in 2016 amounted to PLN 1,919 thousand and decreased by PLN 4,891 thousand, i.e. by 71.8%.

- In 2016 other operating income amounted to PLN 35,564 thousand and was a result of settlement of share based payment plan that exists within the Group.

- In 2016 other operating expenses amounted to PLN 7,829 thousand and comprised mainly provisions for accounts receivable and shares.

- In 2016 financial income amounted to PLN 32,367 thousand and comprised mainly dividends received in the amount of PLN 21,750 and financial interest income in the amount of PLN 10,107 thousand. An increase of financial income by PLN 14,219 thousand, i.e. by 78.4% compared to previous financial year was mainly due to an increase in dividends received of PLN 15,444 thousand.

- In 2016 financial costs amounted to PLN 12,001 thousand and comprised mainly financial interest expense of PLN 11,674 thousand.

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

IV. The independent registered auditor's statement

a. The Management Board of the Company provided all the information, explanations, and representations requested in the course of the audit and provided a representation letter confirming the completeness of the data included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.

b. The scope of the audit was not limited.

c. The financial statements of the Company for the year from 1 January to 31 December 2015 were approved by Resolution No. 4 passed by the General Shareholders' Meeting on 7 June 2016 and filed with the National Court Register in Wrocław in 1 July 2016.

d. We have assessed the operation of the accounting system. Our assessment covered in particular:
   - the accuracy of the documentation relating to business transactions;
   - the fairness, accuracy and verifiability of the books of account, including computerised books of account;
   - the methods used for controlling access to data and the computerised data processing system;
   - the safeguarding of the accounting documentation, books of account, and financial statements.

   This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing an overall and comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

e. The notes to the financial statements present all significant information required by IFRS as adopted by the European Union.

f. The information in the Report on Company's operations for the year ended 31 December 2016 has been prepared in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a member state (Journal of Laws of 2014, item 133 as amended) and is consistent with that presented in the financial statements.

V. Final information

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

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

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

Katarzyna Ignaszak

Key Registered Auditor
No. 11715

Wrocław, 16 March 2017

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PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register (KRS) maintained by the District Court in Warsaw, with the reference number (KRS) 0000044655, and tax indentification number (NIP) 526-021-02-28. Share capital amounts to PLN 10,363,900. Headquarters in Warsaw, Al. Armii Ludowej 14.

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Independent Registered Auditor's Report

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

Report on the financial statements

We have audited the accompanying financial statements of AmRest Holdings Spółka Europejska (hereinafter called "the Company"), plac Grunwaldzki 25-27, Wrocław, which comprise the statement of financial position as at 31 December 2016, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year from 1 January to 31 December 2016 and a summary of significant accounting policies and other explanatory notes.

Management and Supervisory Board's Responsibility

The Company's Management Board is responsible for the preparation of these financial statements, on the basis of correctly maintained books of account, and their fair presentation in accordance with the International Financial Reporting Standards as adopted by the European Union and in accordance with the applicable regulations. The Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board and Supervisory Board are obliged to ensure that the financial statements meet the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2016, item 1047 as amended).

Auditor's Responsibility

Our responsibility was to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

PricewaterhouseCoopers Sp. z o.o., Aquarius Business House, ul. Swobodna 1, 50-088 Wrocław, Polska, T: +48 (71) 366 1200, F: +48 (71) 366 1201, www.pwc.com

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

Opinion

In our opinion, the accompanying financial statements:

a. give a true and fair view of the Company's financial position as at 31 December 2016 and its financial performance and its cash flows for the year from 1 January to 31 December 2016, in accordance with the International Financial Reporting Standards as adopted by the European Union and the applicable accounting policies;

b. comply in terms of form and content with the applicable laws, including the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions of recognizing as equal information required by the law of other state, which is not a member state ("the Decree" – Journal of Laws of 2014, item 133 as amended) and the Company's Memorandum of Association;

c. have been prepared on the basis of correctly maintained books of account.

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Company's operations

Our opinion on the audit of the financial statements does not cover the Report on the Company's operations.

The Company's Management Board is responsible for the preparation of the Report on the Company's operations in accordance with the Accounting Act, and the Decree. Further, the Management Board and Supervisory Board are obliged to ensure that the Report on the Company's operations meets the requirements of the Accounting Act.

With respect to our audit of the financial statements, our responsibility was to read the Report on the Company's operations and consider whether the information included in this Report complies with the regulations of article 49 of the Accounting Act and the Decree and is consistent with the information in the related financial statements. Our responsibility was also to consider, based on the knowledge of the Company and its environment obtained during our audit, whether the Report on the Company's operations does not contain any material misstatements.

In our opinion, the information contained in the Report on the Company's operations for the year from 1 January to 31 December 2016 comply with the requirements of article 49 of the Accounting Act and the Decree and is consistent with the information in the audited financial statements. Further, based on the knowledge of the Company and its environment obtained during our audit we have not identified any material misstatements in the Report on the Company's operations.

With respect to our audit of the financial statements, our responsibility was also to read the Company's Statement of Corporate Governance, which is a separate part of the Report on the Company's operations. In our opinion, the Company included information in accordance with the scope defined in the Decree, and information as indicated in the Decree, complies with the applicable regulations and is consistent with the information contained in the financial statements.

Independent Registered Auditor's Report (cont.)

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

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

Katarzyna Ignaszak

Key Registered Auditor
No. 11715

Wrocław, 16 March 2017

AmRest Holdings SE

Stand-alone

Management Board's Report

for the year 2016

16 March 2017

Contents

Information about financial data in the stand-alone report

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

Letter to the shareholders

Dear Shareholders,

We have just closed another very successful year. We are happy to have continued our EBITDA growth ambition of 20%+ and accelerating topline growth. This is very much in line with our 'AmRest 2.0' plans we announced two years ago.

Such a track record of growing performance is rare in general as well as in retail industry globally. While celebrating this success, we are very focused on making sure we can continue this trend in the future. AmRest strong position and reputation as the leading restaurant operator globally is opening-up new opportunities for us.

Last year we have opened 146 new restaurants. This shows a great momentum in our core business and markets. This also makes us already the top restaurant developer in Europe. It is worth noting that such an unprecedented organic growth was seen across our entire portfolio of businesses. This proves that our growth platform is well diversified and healthy. We are particularly happy about the successful development of a new fast casual format of Pizza Hut Express. This, along with our commitment to grow Pizza Hut Delivery business, has resulted in signing a Master Franchise Agreement with Yum! to develop those two formats in CE. Mentioned arrangement is a clear growth milestone for us and is likely to be extended to some other markets in Europe, e.g. France, through our recent acquisition of Pizza Hut Delivery business there.

Speaking about M&A, last year brought two important acquisitions in Germany, i.e. acquiring whole Starbucks business and part of KFC chain. Adding 159 restaurants in Germany made this one of our key markets. Looking at the growth opportunities in Germany as well as the turnaround potential we are very excited about those two additions.

Starbucks acquisition in Germany adds up to a great momentum of this brand in AmRest family. After initial successful launch of the brand in Czech Republic, Poland and Hungary we got a chance to buy a high growth business in Romania, Bulgaria as well as to enter Slovakia through a greenfield investment in 2016. We see similar roll-up potential for both KFC and Pizza Hut across Europe as already evidenced by our acquisitions of KFC Germany and Pizza Hut France.

Our leadership simply brings growth opportunities.

Another important driver of our future growth next to organic development and M&A will be our investment in Digital. Just like many other industries restaurant business is influenced by rapid technological progress enabling new ways of customer interaction. AmRest desires to be at the forefront of those changes by being the leading innovator in Digital. Through our strategic partnerships and new investments, we see enormous potential to make use of best practices in this area.

Last but least, we are committed to continue our efforts in developing our internal talents to make sure we can successfully realize exciting growth opportunities ahead of us. Our Employees have always been a core pillar of AmRest. It is their passion, devotion and positive energy in every day interactions with customers that allowed us grow rapidly. We would like to cordially thank all our Employees for making AmRest a great company.

Management Board of AmRest Holdings SE

1. Selected financial data

DIAGRAM 1: REVENUES IN 2014-2016 (IN PLN'000)

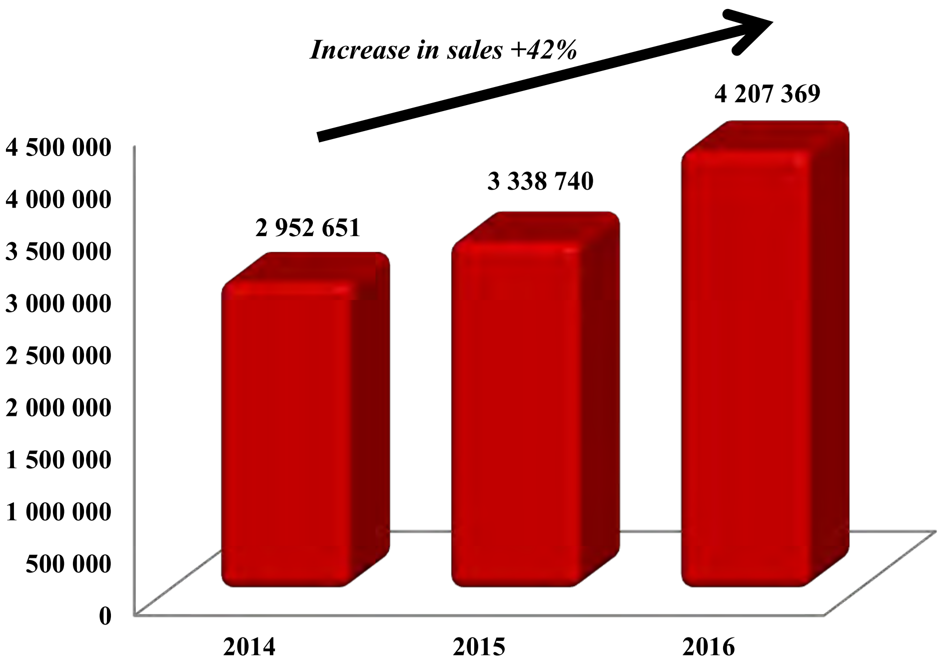


DIAGRAM 2: EBITDA IN 2014-2016 (IN PLN '000)

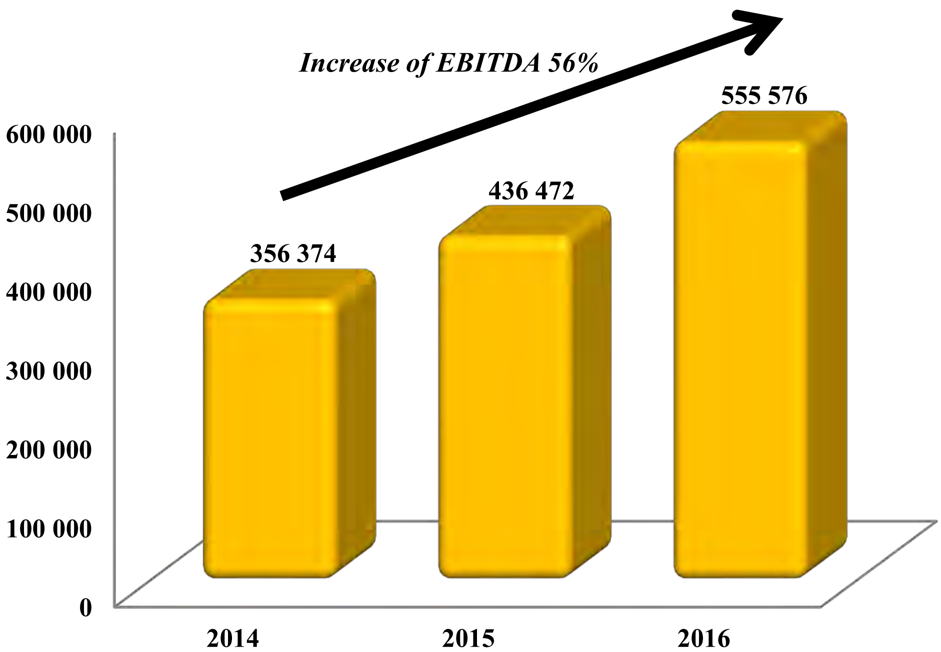
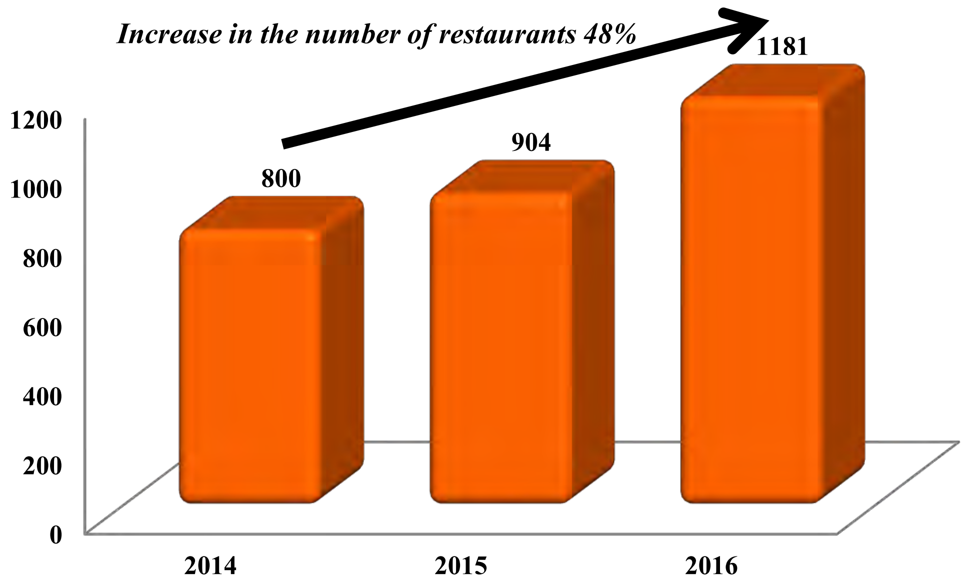
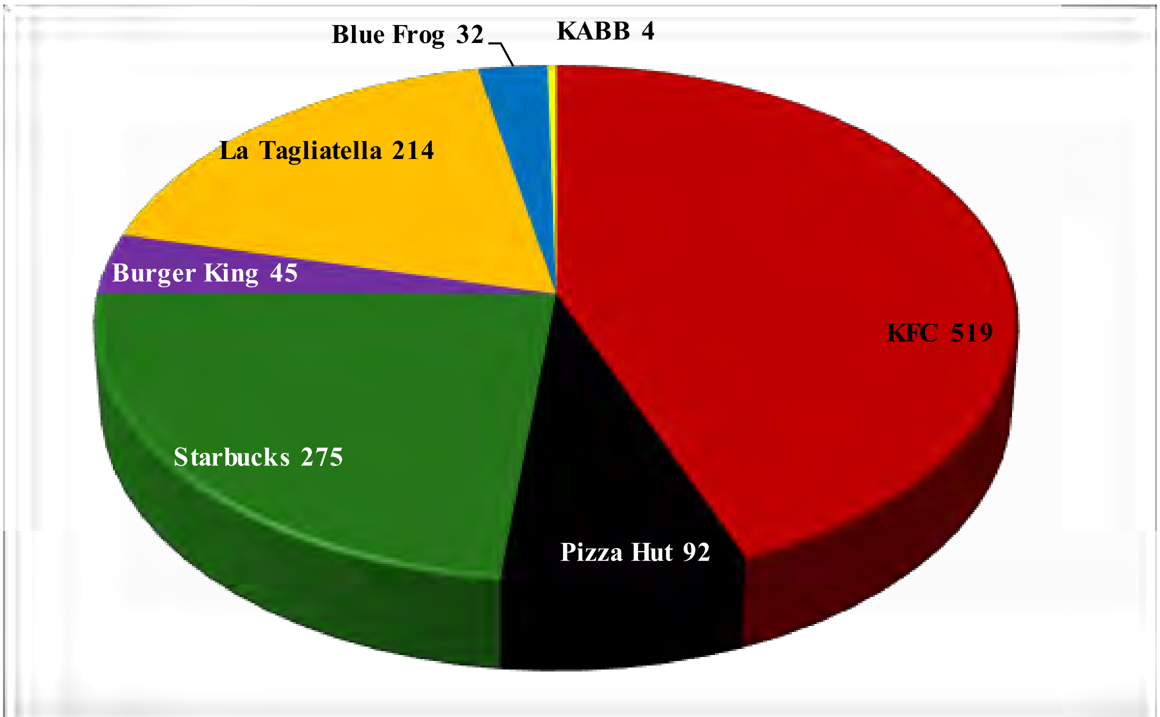


DIAGRAM 3: NUMBER OF AMREST RESTAURANTS IN 2014-2016, BALANCE AS AT 31 DECEMBER 2016



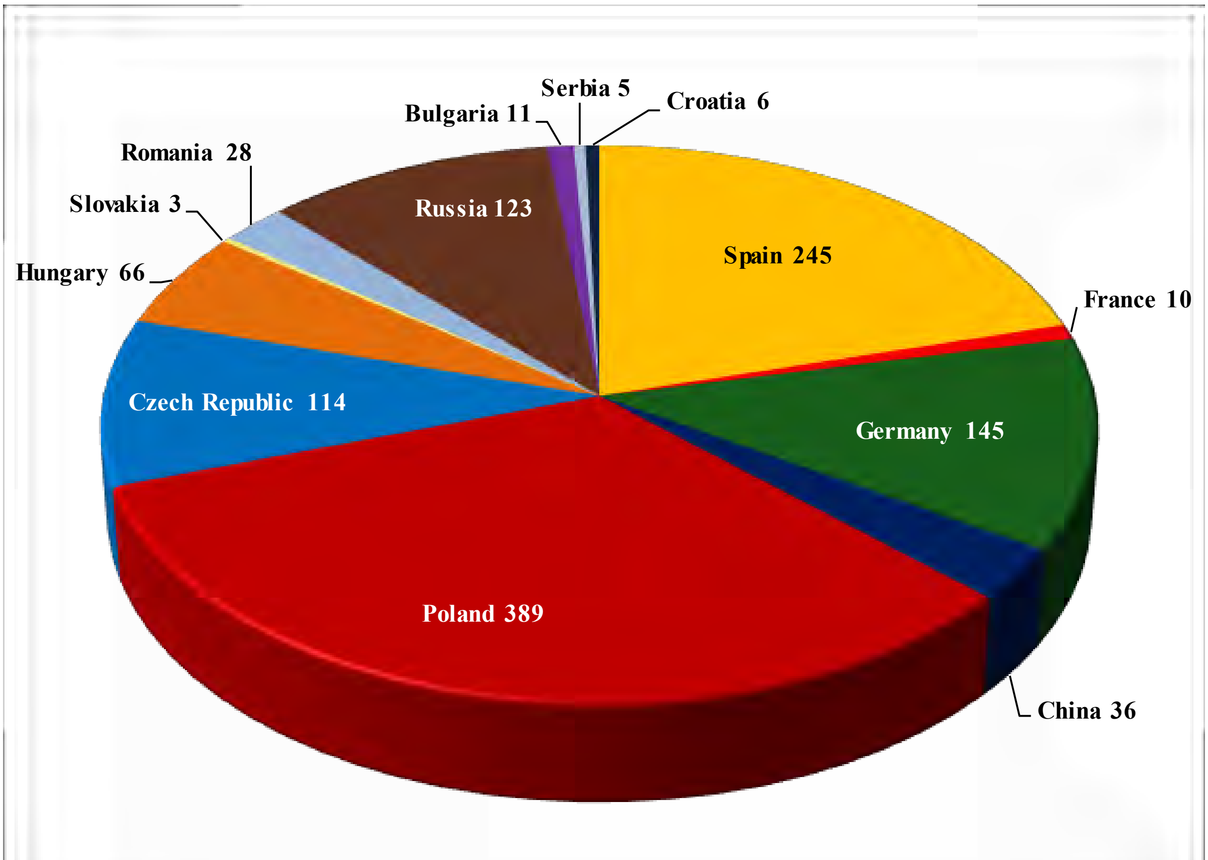
* Including restaurants operated by franchisees of La Tagliatella brand.

DIAGRAM 4: NUMBER OF AMREST RESTAURANTS BY BRAND, BALANCE AS AT 31 DECEMBER 2016



* Including restaurants operated by franchisees of La Tagliatella brand

DIAGRAM 5: NUMBER OF AMREST RESTAURANTS BY COUNTRY, BALANCE AS AT 31 DECEMBER 2016



* W tym restauracje zarządzane przez franczyzobiorców marki La Tagliatella

2. Description of the Company

2.1. Basic services provided by the Group

As at the date of publication of the report, AmRest Holdings SE ("AmRest") manages 7 restaurant brands in 13 countries of Europe and Asia. Every day over 28.5 thousand AmRest employees deliver delicious taste and exceptional service at affordable prices, in accordance with our "Wszystko Jest Możliwe!" ("Everything is possible!") culture.

AmRest manages its restaurants in two restaurant sectors:

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

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

AmRest is a franchisee of Yum! Brands Inc. for the KFC and Pizza Hut brands. Burger King restaurants also operate on a franchise basis following an agreement concluded with Burger King Europe GmbH. Starbucks restaurants in Poland, Czech Republic and Hungary are opened by joint-venture companies AmRest Coffee (82% AmRest and 18% Starbucks), which have the rights and licenses to develop and manage Starbucks restaurants. Starbucks stores in Romania and Bulgaria (acquired from Marinopoulos Coffee SEE B.V. in June 2015), Germany (acquired from Starbucks Coffee EMEA B.V. in May 2016) and in Slovakia are operated by the Company on a franchise basis. The La Tagliatella is the own brand of AmRest which became part of the portfolio in April 2011. La Tagliatella restaurants are operated both by AmRest and by entities which operate restaurants on a franchise basis. The Blue Frog and KABB brands became the property of AmRest in December 2012 as a result of purchase of a majority stake in Blue Horizon Hospitality Group LTD.

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

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

In 2016 KFC restaurants run by AmRest noted a significant increase of sales and profit.

The strong dynamics of growth in Central Europe was maintained for all the year. This growth was a result of a consistent realization of the strategy related to the improvement of a general image of the restaurants, numerous innovations concerning the products and strengthening the position in a home delivery channel. KFC introduced new offers in the "value" segment maintaining attractive prices in this category. A wide offer of promotional products in the „premium" category (burgers) and buckets (a bucket for one person) which are traditional for KFC introduced for a limited period was worth noticing. Additionally an offer of ice-cream desserts – Shake De Lux was introduced on a few markets what was very positively received by the guests of the restaurants. The costs of labour increased on majority of markets in Central Europe and according to the experts' opinions this trend can be maintained in the nearest years. At the same time a visible improvement in the remaining cost areas was observed what allowed to improve the margin significantly so it exceeded the initial assumptions.

The results on the Russian market were very good in 2016 despite the demanding macroeconomic situation in this country. Thanks to the consistently executed strategy of building the brand's strategy, product innovations

and the offer in the „value" segment, the income in comparable restaurants noted a strong one digit increase in 2016. Despite of inflation pressure and a negative influence of currency conversions on the results, the brand managed to achieve the margins which are close to the planned ones for 2016. In 2017 further works aiming at strengthening of the KFC in Russia, mainly thanks to active cooperation with the suppliers and operational improvements are planned. Openings of next restaurants in selectively chosen locations are also planned.

KFC restaurants operating in Spain starting the second quarter of 2016 noted a positive trend in the number of customers' visits. Introducing the "value segment" contributed to it as it was very positively received by the market. Strengthening this offer and introducing product innovations aiming at further increase of the frequency of the visits in the restaurants is planned in 2017. In following years the Company will be continuing the development of KFC chain in Spain mainly based on free standing restaurants.

In 2016 "home delivery" channel gained more importance. At the end of the year almost half of the restaurants in Poland provided this service. The customers besides the traditional way of ordering on the phone very willingly use both a modern website and a phone application. It is worth noticing that ordering via electronic way is related to a special opportunity of customization of one of the KFC flag ship products – a Bucket. Last year also some KFC restaurants in Czech, Serbia and Bulgaria introduced the service of home delivery.

Last year AmRest opened a record number of 56 new KFC restaurants (in total in Central Europe, Russia and Spain) at the same time it renovated almost 70 already existing ones. Especially in Spain and Hungary a dynamic increase of new openings was observed. Newly opened and renovated restaurants in Central Europe are characterized by new design which is deeply rooted in the values and the history of the brand. "Open kitchen", thanks to which the guests can see in what way the delicious KFC chicken is prepared, became a special element of the design of KFC restaurants. In each restaurant there is also information about local origin of the chicken meat and about the name of the person who plays the role of the chef. In increasing number of KFC in Central Europe the point of ordering is separated from the point of receiving the order what improves the quality and the speed of service and also facilitates more personalized contact with guests. Also in Spain and Russia the design of KFC restaurants is successively changed based on local needs and conditions.

Last year was another one when KFC brand was in the group of the best employers in a retail sector in Central Europe. Among others the „Able in AmRest" initiative related to employment of the disabled and the wide opportunity of career development in AmRest contributed to this fact. KFC brand is still involved in actions related to social responsibility on all the markets.

On the day of the report the Company runs 519 KFC restaurants - 222 in Poland, 78 in Czech, 115 in Russia, 45 in Hungary, 43 in Spain, 15 in Germany, 6 in Croatia, 5 in Serbia and 5 in Bulgaria.

BURGER KING

Founded in 1954, the Burger King brand is the world's second largest fast food burger restaurant chain measured by the total number of restaurants. The Burger King brand is present in over than 100 countries operating over 15 700 restaurants and serving over 11 million guests on a daily basis. Burger King restaurants are quick service restaurants that feature flame-grilled burgers, chicken and other specialty sandwiches, French fries, soft drinks, and other affordably priced food items.

2016 was another record breaking year for Burger King at AmRest. The brand managed to increase the same store traffic (SST) as well as the value of average guest check (AGC). This confirmed the positive market trend set in the two previous years. The main highlight of the financial results was the profitability reached in all the countries that the Burger King brand is operated by AmRest. The major breakthrough was reached on the Czech market sending a clear signal to further focus on the development in that market.

A strong emphasis was put on operational excellence. In Poland, the Czech Republic, and Bulgaria Burger King managed to increase its guest satisfaction thanks to a new service vision training program. This was equally highlighted by an external audit result confirming rising operational capability of the brand in all of three markets. AmRest team is particularly proud of the Brno (Czech city) restaurant receiving the best result in any Burger King restaurant in Central Europe.

A noticeable improvement in the guest experience was brought by implementing the Prime design concept – a fusion of handcrafted feeling, cheerful graphics, bold color palette and American prints. All the new openings will already reflect the Prime design concept and existing restaurants will be gradually refurbished as well. Burger King portfolio was joined by a new restaurant at Polish A1 motorway followed by the Kielce Echo shopping mall and Warsaw Wola Park shopping center. An important milestone was reached on the Czech market with the opening of the Burger King Kladno restaurant, being the first expansion on the market since 2012.

These positive results were also reached thanks to the increased brand awareness on the Polish, Czech, and Bulgarian market. Burger King is an increasingly attractive brand for restaurant guests in the QSR segment. According to the latest Brand Observer report the spontaneous brand recognition went up.

The year commenced with a successful introduction of a TV commercial on the Polish market. It was very well received by guest community which was reflected in the financial results. On the Czech market, the brand pioneered paid YouTube commercials bringing over 1.000.000 views. In alignment with the other brands of AmRest, Burger King launched an intuitive mobile application in all three markets, offering its guests an overview of brand locations and offerings as well as access to attractive coupons, some of which were exclusively offered in the application.

During Q1 Burger King took part in a global marketing initiative launching the Angriest Whopper made of a uniquely hot red bun. The use of the colored bun made the brand a significant market innovator. The offer in the Czech market was enriched by introducing a breakfast menu that brought more guests during the morning hours.

The brand remains committed to the "better burger" strategy which considerably distinguishes it from the competition. Burger King offers flame grilled meat as well as the chance for its guests to taste a truly premium ingredient – angus meat. In addition to the permanent AngusXT burger offer, angus meat is a frequent addition to limited time offers. The one that was received the best was American Street Food menu - heritage American burgers adapted to the modern taste.

Burger King SST result rose thanks to the presence of value offers in all the markets. Kurak's (burger with chicken) return was the most successful product on the Polish market – bringing back three kinds of Kurak for PLN 3.50. On the Czech and Bulgarian markets the brand initiated two strategic discount promotions – making the BigKing or 9 Nuggets available for a particularly affordable price. All these promotions were massively communicated on TV, outdoor, indoor, and through digital campaigns.

Having delivered convincing financial results in 2016, the brand shows growing importance of Burger King in the AmRest portfolio and its readiness to further growth. Furthermore, the restaurants will enhance the customer experience by redesign according to the Prime design model, continuing guest care and commitment to premium products living up to the "Have it your way" spirit of the brand.

At the date of publication of this report AmRest operates 45 Burger King restaurants – 36 in Poland, 8 in the Czech Republic, and 1 in Bulgaria.

Starbucks is the world leader in the coffee sector with more than 24 000 stores in over 70 countries. It offers a broad selection of coffees from different parts of the world, as well as teas, soft drinks and a wide range of fresh food, snacks and desserts. AmRest Coffee (a joint venture between Starbucks Coffee International and AmRest Sp. z o.o.) currently operates Starbucks stores in Poland, Czech Republic and Hungary. The restaurants in Romania, Bulgaria, Slovakia and Germany are 100% owned and operated by AmRest.

2016 was a historical year for Starbucks business under AmRest operation. In late May, the Company acquired master rights to the German market alongside with 144 stores. Approximately at the same time, AmRest opened its first store in Bratislava, Slovakia adding another country to its operations. At the end of the year, there were 3 stores in Bratislava and the market was positive in cash after 6 months of operations.

The German market is a great investment into the future. With 144 stores, the country is far from saturated. Starbucks has brand recognition and a good position to expand its operations. In the next 3-5 years, AmRest plans to double the number of stores in the market. Having said that, the first years focus is on business consolidation, transition and integration to AmRest operating systems. So far, the management team has been strengthened with key positions, Partners (employees) are being trained in new operating systems and a significant investment is being done to the IT infrastructure. All of this is being done with the intention of increasing efficiency of operations, quality of work environment of the Partners and of course better and faster service for the Customers.

The Romanian and Bulgarian markets are in the final stages of integration. All systems have been changed. Both markets performed very well in 2016, with special focus on Romania. The country expanded with 9 new stores, ending the year with 28 units.

Czech Republic and Hungary have had also a very strong year that saw growth in LFL sales driven by transactions and average guest check. Great flow through on both markets significantly increased the EBITDA margin.

Poland observed a stable growth driven by transactions. The average check was flat, but that was in part caused by growth in sales generated by the loyalty program My Starbucks Rewards users. The program will see new countries this year with Romania and Hungary joining into the scheme. Building loyalty and affinity with the customers will continue to be one of the brands goals in the coming years.

2016 also brought a great development on the beverage side. In the summer the brand launched "Teavana Shaken Iced teas" which were an immediate success. The brand continues to have great success with the cold beverage platform. Frappuccino's continue to be the main driver of income during the summer season. "Cold Brew" was another innovation launched this summer in all countries. In the autumn "Teavana" hot teas were introduced and the success of Pumpkin Spice Latte and Ginger Bread Latte was continued. The brand continues to be the leading innovator in beverages in the world.

Looking into brand strategy the main areas of focus in the coming year will be strengthening the Loyalty program in all countries, focus on supply chain to deliver efficiencies and benefits from synergies for the markets as well as development and recruitment of top talent to support the growing business.

The brand will continue expanding its presence within the operating countries increasing the amount of new openings between 40-60 units in 2017. 20 of those are planned in Germany.

At the date of publication of this report AmRest operates 272 Starbucks cafes (140 stores in Germany, 52 in Poland, 28 in the Czech Republic, 16 in Hungary, 28 in Romania, 5 in Bulgaria and 3 in Slovakia).

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

The first La Tagliatella restaurant was opened in 2003 in the small Spanish town of Reus. Since then, through opening of both equity and franchised restaurants, the brand has developed into a recognized, rapidly growing chain with well-established leadership position in the Italian Casual Dining segment in Spain.

2016 has been of special relevance for La Tagliatella as on 1st of December the brand saw the opening of restaurant number 200 in Spain. This has been a key milestone for the business and a big celebration for all the employees, that actively participated in a Mannequin Challenge under the claim "We are 200 but we don't stay still". The challenge was recorded across the system in restaurants, central kitchen in Lleida and headquarters in Madrid with huge involvement and excitement of whole La Tagliatella team.

2015 was already a record year in number of openings, but during 2016 La Tagliatella managed to repeat this achievement with a total number of 24 new restaurants across the Spanish geography, strengthening its leadership position in regions such as Levante or Andalucia. Likewise, with these openings La Tagliatella has incorporated several changes in the design and decoration of its restaurants, offering an updated image, and yet coherent with the heritage of the brand.

La Tagliatella continues to outperform its competitors not only in Italian segment but also in the Casual Dining category. With the milestone achievement of 600,000 fans on Facebook the brand earned its leadership also in the digital field.

The success and dynamism of La Tagliatella digital campaigns are a referent within the market achieving the highest engagement and interaction rate of the segment.

Latest success in this area has been "Fan Pizza", signature social media campaign that year after year grows in participation and that after 4 years has managed to repeat success with almost 20,000 different recipes proposed by the brand fans.

At the beginning of 2017 La Tagliatella has implemented across equity and franchised restaurants the "Amici Program". This is a signature loyalty program build to emphasize the brand foundations by offering Italian gourmet products to customers. Up to date the scheme gained almost 100,000 "Amici" members.

Continuous product innovation is also a key differentiator of our brand and during 2016 it was reinforced with the introduction of salad "Cremoso di Rulo di Capra" with goat cheese mousse and pasta "Vongole Veraci" with clams and Prosecco based sauce. As an additional milestone, the manufacturing area of the Central Kitchen was renovated, what allowed to increase its production capacity by 33%. This increase was well balanced over all the main product lines and therefore ensures the vertical integration model and satisfies the needs of supplying the rapidly growing business.

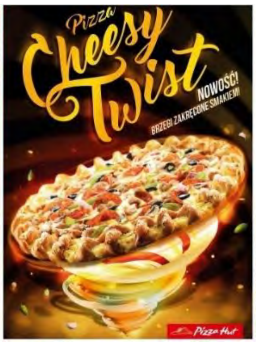
In international markets, it is worth to mention the good performance of Germany that continues its steady growth.

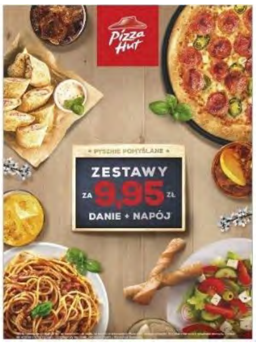
As at the publication date the portfolio of La Tagliatella consisted of 214 restaurants – 203 in Spain, 9 in France and 2 in Germany.

Pizza Hut is one of the biggest restaurant chain in the world. The brand is rooted in the United States. Inspired by Mediterranean cuisine it promotes the idea of a pleasant way of spending time among family and friends. It is also the biggest brand in Poland in the aspect of the sales level and the number of Guests in the casual dining segment. The strong position of Pizza Hut is maintained thanks to the „One Brand Three Channels" strategy and strengthening the position of an expert in pizza in all consumer occasions. Year 2016 was another very successful period for Pizza Hut operation. Besides the development of the brand in „casual dining segment" it also brought the rise of the two remaining channels of sales - Pizza Hut Delivery and Pizza Hut Express.

Traditionally the year commenced with a Pizza Festival which took place in the Pizza Hut restaurants already the seventh time. This offer, so expected by customers, allowed them to unlimitedly devour various flavors and formats of pizza served on four kinds of dough at an attractive price. The seventh edition of the Festival enjoyed a record popularity and attracted many new guests to the restaurants. The offer was promoted on TV and the Internet. An additional mechanism was used in the promotional campaign the aim of which was to attract bigger groups of customers to the restaurant – the guests who came in the group of at least four persons and ordered the Festival offer got the beverages for free. This solution had a big influence on the increase of the average check and made the Guests spend their time in larger groups of friends and acquaintances.

Spring and summer in Pizza Hut is, as every year, is a period of introducing „lighter" propositions of dishes, attractive value offer and refreshing beverages. In 2016 new products in the categories of pizza, soup and lemonade and the bestsellers in the price of 19,95 PLN appeared. All the propositions were prepared from fresh seasonal components. This offer, especially appreciated by women, influenced positively the number of transactions registered in the restaurants of the brand.





At the end of July a new version of a „My Pizza Hut" loyalty program - an innovative tool building the involvement of customers in the operations of the brand and supporting the increase of the number of their visits in the restaurants in long perspective was introduced. From the very beginning the program enjoyed a great interest of the guests who registering the visits in Pizza Hut on their account get invitations to unique events such as pre-premiere dinners (tasting the novelties form the menu) or rewards. The guests collecting the points enjoy additional benefits in the menu card and have the opportunity of taking the offers which are adjusted to their individual needs. Already over 100 thousand customers joined the program taking advantage of its benefits.

In autumn and winter a new season menu which combined new interesting flavor combinations and at the same time being a value offer appeared. For example the combination of goat cheese and a beetroot, warming up cheeses, spicy combinations of paprika and peperoni or seasonal freshly prepared soups can be given as examples.

Pizza Hut after 20 years of building the brand in Poland in Casual Dining segment in 2016 started to develop intensively 2 new channels of sales: Express (pizza prepared during 5 minutes in front of the customers eyes) and Delivery (pizza home delivery), responding to the changing trends on the market and one of the presently most important needs of consumers – „convenience".

Pizza Hut Express is the concept enabling the customers eating their favorite pizza on the way home, to work or during shopping. The restaurants aren't large, easily accessible in shopping malls, is city centers and the locations convenient for business lunch. In 2016 10 further Express restaurants were opened in Poland among others in Warsaw, Wrocław and Three-City and 2 restaurants in Hungary in Budapest. In this concept the process of pizza preparation from fresh ingredients takes less than five minutes and can be observed by the customers. It is possible thanks to limiting the menu and applying a special kind of stove adjusted to fast baking. The unique technology related to the product and operational discipline allows to promote the concept with the slogan: "We make fresh pizza during 5 minutes". In the offer there are 5 the most popular pizza flavors from Pizza Hut restaurant menu served on a traditional dough also with the option of cheese in the crust. More and more often the customers use the option of composing their pizza from the ingredients they choose.

The development of Pizza Hut Delivery is a response of the brand to the growing trend of ordering meals to home by the customers who don't like cooking or don't have time to do this. Pizza delivery earlier took place in parts of Warsaw, Wrocław, Szczecin and Leszno. In 2016 the delivery became possible in new areas of the listed cities and was introduced among others to Kraków and Poznań. Building sales of this concept is supported by actions of the dedicated marketing calendar (taking into account product innovations) and the events favoring pizza consumption at home, the biggest of which was Euro 2016. Especially for football fans supporter's sets were introduced which were especially adjusted for the character of the event – group of friends watching matches.

Additionally to guarantee an easy access to ordering Pizza Hut introduced in March a new version of the online ordering platform and in June a modern mobile application. The success of this tool is proved by its week by week growing popularity - at the end of the year the application generated already 25% of all the transactions in the Delivery channel.

At the date of publication of this report Pizza Hut runs 92 restaurants - 79 in Poland, 8 in Russia and 5 in Hungary. In 2017 further dynamic growth of the brand on European markets both within the „casual dining" concept and a new Express format and home delivery channel is planned pursuant to the agreement of August 2016 regarding the expansion of the brand in the countries of Central and Eastern Europe: Poland, the Czech Republic, Hungary, Bulgaria, Serbia, Croatia, Slovakia and Slovenia..

Acquisition of the Blue Horizon Hospitality Group in 2012 enriched AmRest's casual dining portfolio with two brands operating in China:

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

2016 was the 4th year of AmRest presence in China - a year of further scale and operating systems development as well as leadership changes and first signs of planned Blue Frog European expansion.

Chinese economy continued to create number of challenges like varying guests sentiments, stock market fluctuations but - from the positive side - the restaurant segment was supported with favorable regulatory adjustments concerning the VAT changes which had influenced significantly China division 2016 results. Outlook for the future is even more optimistic as China plans in coming years to open across the country about 1200 new shopping malls, upgrade of 7 airports to international hubs and population of cities is expected to grow 9% annually. Potential for further AmRest expansion is continuously getting its scale.

There were 3 main strategic directions of China division development in 2016 – further integration with European business of AmRest, strengthening customer offer, brand position, geographical reach and penetration and finally establishing solid processes and systems' based platform for even faster and profitable expansion. In all three AmRest noted significant improvements.

Cross country know-how transfer and people exchange in 2016 reinforced the spirit of unity and allowed for bolder steps and plans - like new central kitchen project kick-off, IT systems improvement or people development programs and tools launching. Q4 brought changes on the country management level, which already show positive impact on the speed and flexibility of the business development.

Restaurants' portfolio was enriched by 8 new venues - strengthening Blue Frog's position mainly in Shanghai but also entering one new city, Hangzhou, which is famous for its sightseeing attractions. In June AmRest opened flagship Blue Frog restaurant at Shanghai Disney Resort. 7 million of tourists have visited this entertainment park in first 6 months of operations. With new parts of park planned to be open in next 3 years the Company expect even stronger performance from this restaurant. AmRest China continued to focus on first tier (largest) cities but is also ready to speed up test with less populous cities (1-8 million inhabitants).

Moving from middle size operator to large restaurant chain requires developing and launching of top class processes – products sourcing, logistics, training, technical infrastructure or efficient and flexible central kitchen. In all of them AmRest noted great improvements giving excellent prospects for further, faster expansion.

Blue Frog Chinese expansion and improving performance supported by new design and décor, innovative menu and excellent service standards provoked Company to consider transfer of this unique concept to Europe. Central kitchen model is already well known to the Company and developed by AmRest in the Spanish La Tagliatella, which is among the top performing restaurant chains in Europe. This, in combination with increasing demand across Europe for more "slower" dining experience and more sophisticated menu choice with reasonable price levels, allows for conscious planning of Blue Frog expansion also in Europe. The first European Blue Frog restaurant is going to be opened in the middle of 2017 in Madrid. The next step will be to launch the concept later this year in Poland.

As at the publication date, AmRest owned 33 Blue Frog Bar & Grill and 4 Kabb Bistro Bar restaurants in China.

3. Structure of revenues

Revenues of AmRest Group amounted to PLN 4 207m in 2016, growing by 26% over the year (PLN +869m). Dynamic growth was mainly supported by:

- maintained strong sales trends in comparable restaurants (LFL) on key markets of Central Europe (CE) and Spain. In particular brands, double-digit growth was observed,
- significantly increased pace of organic growth. In 2016 AmRest opened 146 new restaurants (vs 99 in 2015),
- stable growth of revenues in Russia (positive LFL trends and new openings),
- consolidation of revenues of acquired Starbucks chains (Romania and Bulgaria since mid-2015, Germany mid-2016).

TABLE 1. AMREST GROUP'S SALES BY DIVISION

Divisions	2016		2015	
	PLN '000	share %	PLN '000	share %
Central and Eastern Europe (CE)	2 254 327	53.6%	1 951 413	58.4%
Weestern Europe	1 212 674	28.8%	739 677	22.2%
Russia	465 223	11.1%	402 838	12.1%
China	229 028	5.4%	208 435	6.2%
Unallocated*	46 117	1.1%	36 377	1.1%
Total	**4 207 369**	**100.0%**	**3 338 740**	**100.0%**

*Revenues of SCM Group

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

4.

4. Supply chain

The situation on cereal market was stable. The cereal harvest was satisfying but due to numerous rainfalls in the harvest period the supply of consumption cereal on the local market was much lower and the grain of good quality was desired.

Due to the downturn on the world milk market which lasted till the mid 2016 the prices of dairy products and in consequence the prices of milk purchase showed falling tendencies. Only in the second half of the year together with the increase of demand for dairy products (especially in China) the rise of prices was noted. In 2016 national producers increased the production of cheeses, butter and milk. The milk market stabilized at the end of 2016. The demand was relatively big and the prices much higher than a year ago. Polish milk market is still dependent on the world market to a large extent. Initial prognoses say that 2017 should be relatively stable.

The prices of oilseeds were stable in 2016 and favored maintaining low prices of the products produces based on these products.

Also the situation on chicken market was stable due to the low prices of fodder. The investments in the branch and increasing the production capacity increased export capacity from CEE countries. Similar investments took place also on Russian market and allowed to increase the efficiency of production and its quality.

The situation which originated in the previous year was maintained on the meat market. Attractiveness of export caused by an unfavorable exchange rate of EUR vs USD and a low value of Polish currency maintained high prices in the local market.

Main elements of purchase strategy which were realized last year and will be continued in the following period are as follows:

- Long term cooperation only with the suppliers who guarantee the highest standards of service, quality and the product safety.
- Implementation of innovative solutions by following trends and cooperation with experts by „Innovation Center",
- Consolidation of the purchases in the region,
- Following the situation on the world raw materials market and the events which can have the influence on their prices what facilitates taking appropriate decisions in appropriate time,
- Strengthening the actions and procedures on quality and food safety.
- Continuation of the distribution strategy taking new markets into account in order to optimize the costs.

The list of the largest suppliers of AmRest in 2016:

- Quick Service Logistics Polska Sp. z o.o. Sp. K. – distributor in Poland,
- Quick Service Logistics Czech s.r.o. – distributor in the Czech Republic,
- Lekkerland Deutschland GmbH & Co KG – distributor in Germany
- Conway S.A. – distributor in Spain,
- OOO RBD Distribution – distributor in Russia,
- LDS Disztribútor Szolgáltató Kft. – distributor in Hungary,
- Roldrob S.A. – supplier of chicken products in Poland,
- OOO East-West Logistic – distributor in Russia,
- Drobimex Sp. z o.o. – supplier of chicken products in Poland,
- Przedsiębiorstwo Drobiarskie Drobex Sp. z o.o. – supplier of chicken products in Poland,

5. Employment in AmRest

The table below shows employment in the Group in the years 2014–2016.

*TABLE 2. NUMBER OF EMPLOYEES IN AMREST (BALANCE AS AT 31 DECEMBER 2016, 2015, 2014)**

Year	**2016**	**2015**	**2014**
Employment in restaurants	27 612	22 679	22 198
Employment in administration	1 159	944	841
Total	**28 771**	**23 623**	**23 039**

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

6. Changes in the manner of management

6.1. Changes in the Parent Company's Management Board

On June 8th, 2016 the Management Board of AmRest informed, that due to the expiration in this calendar year of a three-year term of office, the mandates of two Board Members: Mr. Mark Chandler and Mr. Drew O'Malley have expired as at the date of the Annual General Meeting of the Company, i.e. June 7th, 2016. The legal basis of the expiry of the mandates was Article 369 § 4 of the Code of Commercial Companies of September 15th, 2000 (Journal of Laws no. 2000.94.1037 as amended).

On June 11th, 2016 the Management Board of AmRest informed, that on June 10th, 2016 the Supervisory Board of the Company adopted resolutions on reappointing Mr. Mark Chandler and Mr. Drew O'Malley to hold the positions of AmRest's Management Board Members. The resolutions became effective upon their adoption.

Information on reappointed Management Board Members:

Mark Chandler

Mr. Mark Chandler holds a Bachelor of Arts degree in Mathematics and Economics from Whitman College as well as an MBA in Finance and Marketing from Columbia University Graduate School of Business.

Mr. Chandler joined AmRest in November 2008 as Global Chief Financial Officer.

He previously was working as Chief Operating Officer and Chief Financial Officer for Waytronix, Inc. (LED technology) and for 23 years for Sara Lee Corporation, holding numerous positions in finance, management and operations, including roles as Group CFO EMEA and CEO Business Development Europe.

Mr. Chandler informed that he is not conducting other activities which are competitive in relation to the issuer, and is not engaged in a competitive company or partnership, as a partner in a civil-law or general partnership or as a member of a governing body of an incorporated company or any other competitive legal person. Mr. Chandler is not listed in the Insolvent Debtor Register kept in accordance of the Law on National Court Register.

Drew O'Malley

Mr. Drew O'Malley graduated with a Bachelor of Arts degree in Government from Georgetown University in Washington D.C. and holds an MBA from the University of Michigan Business School.

Mr. O'Malley was one of the first employees of AmRest. He previously has held multiple positions within the company, including Marketing Director, Czech Operations Director, KFC Brand President, Managing Director of Starbucks, Chief Operating Officer and Central Europe Division President. Currently he holds the position of Chief Digital Officer.

Before joining AmRest, Mr. O'Malley worked for McKinsey & Company, American Express Company and Citibank.

Mr. O'Malley informed that he is not conducting other activities which are competitive in relation to the issuer, and is not engaged in a competitive company or partnership, as a partner in a civil-law or general partnership or as a member of a governing body of an incorporated company or any other competitive legal person. Mr. O'Malley is not listed in the Insolvent Debtor Register kept in accordance of the Law on National Court Register.

In the period since the publication of last report there were no changes in the composition of the Supervisory Board.

On January 31st, 2017 the Management Board of AmRest informed that it received on the same day from Mr. Jacek Trybuchowski the resignation from the function of the member of AmRest Management Board, effective February 1st, 2017. The resignation was due to personal reasons. Mr. Trybuchowski served as the Company's Chief Operating Officer.

6.2. Changes in the Parent Company's Supervisory Board

On December 12th, 2016 the Extraordinary General Meeting of AmRest adopted following resolutions concerning the composition of the Supervisory Board of AmRest:

- resolution determining the number of the Supervisory Board members to be from 5 to 7 persons (Resolution No. 4),
- resolutions revoking the following persons from the Supervisory Board of the Company:
  - Zofia Dzik (Resolution no. 5),
  - Raimondo Eggink (Resolution no. 6),
  - Łukasz Rozdeiczer-Kryszkowski (Resolution no. 7),
  - Krzysztof A. Rozen (Resolution no. 8).

  The resolutions came into force upon their adoption.
- resolutions appointing the following persons as a members of the Company's Supervisory Board:
  - Carlos Fernández González (Resolution no. 9, came into force upon its adoption),
  - Pablo Castilla Reparaz (Resolution no. 10, effective from January 1st, 2017),
  - Mustafa Ogretici (Resolution no. 11, effective from January 1st, 2017).

Information on appointed members of the Supervisory Board:

Carlos Fernández González

Over the last 30 years, Mr. Carlos Fernández González has held management positions in various business sectors. These positions were highly complex and required Mr. Fernández to have a high level of skill and responsibility.

He was the CEO (1997-2013) and Chairman of the Board of Directors (2005-2013) of Modelo Group. From the time he was named CEO, up to 2013, this group consolidated its position as the leading brewing company in Mexico, the seventh biggest worldwide and the world's biggest beer exporter.

He has also served on the boards of national and international companies, including Anheuser Busch (US), Emerson Electric Co. (US), Seeger Industrial (Spain), Grupo Televisa (Mexico), Crown Imports, Ltd. (US), Inbursa (Mexico) and Mexican Stock Exchange (Bolsa Mexicana de Valores). He has served on the advisory board of the Modelo Group and has also been a member of the international advisory board at Banco Santander, S.A. and a director of Grupo Financiero Santander México S.A.B de C.V.

Mr. Fernández is currently Chairman of the Board of Directors of Grupo Finaccess S.A.P.I. de C.V. – a company of which he was founder – which is active in Mexico, Spain and the US. He is also an independent director of Banco Santander, S.A. and a non-executive director of Inmobiliaria Colonial, S.A.

Mr. Fernández is an industrial engineer and has also studied on senior management programmes at the IPADE Business School (Instituto Panamericano de Alta Dirección de Empresa).

Pablo Castilla Reparaz

Mr. Pablo Castilla Reparaz is a Spanish citizen. He has been involved in the banking sector working for the Spanish bank Banco Santander, S.A. for the last 30 years and has broad experience in M&A transactions. He currently holds position of Managing Director of Corporate Legal Advice / Legal Manager of corporate transactions of Grupo Santander. His scope of responsibilities includes M&A transactions in many jurisdictions both EU and non–EU. Mr. Pablo Castilla Reparaz held functions of Director of Santander Direkt Bank

(Germany), Director of Banco Mercantil (Peru), Non-member Secretary of BT Telecomunicaciones S.A. and Member Secretary of Open Bank S.A.

Mr. Castilla holds a Bachelor's Degree of Laws (Universidad de San Pablo) as well as a Master's Degrees in Tax Legal Advice and EU Law (ICAI – ICADE) and finished Advanced Management Program for Overseas Bankers (the Wharton School of the University of Pennsylvania). He is also a member of the Madrid Bar Association.

Mr. Castilla declared, that he meets all the criteria required for the independent member of the Supervisory Board.

Mustafa Ogretici

Mr. Mustafa Ogretici is a British citizen. He specializes in gastronomy and real estate sectors. His experience includes managing restaurants and franchising. He has owned and run restaurants in the United Kingdom since 1997. Since 2005 he has been real estate investor.

Mr. Ogretici graduated with a distinction from Cassio Campus College, Watford, where he studied Business Management and Law.

Mr. Ogretici declared, that he meets all the criteria required for the independent member of the Supervisory Board.

6.3. Composition of the Management and the Supervisory Boards

Management Board

In 2016, the Management Board of AmRest comprised:

- Drew O'Malley (excluding a period from June 7th till June 10th, 2016)
- Jacek Trybuchowski
- Mark Chandler (excluding a period from June 7th till June 10th, 2016)
- Oksana Staniszewska
- Olgierd Danielewicz
- Wojciech Mroczyński

At the date of publication of this report the composition of the Management Board of AmRest is as follows:

- Drew O'Malley
- Mark Chandler
- Oksana Staniszewska
- Olgierd Danielewicz
- Wojciech Mroczyński

Supervisory Board

In 2016, the Supervisory Board of AmRest comprised:

- Henry McGovern,
- Raimondo Eggink (until December 12th, 2016),
- Zofia Dzik (until December 12th, 2016),
- Łukasz Rozdeiczer-Kryszkowski (until December 12th, 2016),
- Krzysztof A. Rozen (until December 12th, 2016),
- José Parés Gutiérrez (Chairman of the Supervisory Board),
- Luis Miguel Álvarez Pérez,
- Steven Kent Winegar Clark,

- Carlos Fernández González,

As at the date of publication of this report the composition of the Company's Supervisory Board is as follows:

- Henry McGovern,
- José Parés Gutiérrez (Chairman of the Supervisory Board),
- Luis Miguel Álvarez Pérez,
- Steven Kent Winegar Clark,
- Carlos Fernández González,
- Pablo Castilla Reparaz (from January 1st, 2017),
- Mustafa Ogretici (from January 1st, 2017).

6.4. Functional description of the management and supervisory bodies

Principles concerning appointment and dismissal of managers and their entitlements are regulated in the Company's Statute.

The Management Board shall manage the Company's affairs and represent it. Joint action of two members of the Management Board shall be required to represent the Company.

The members of the Management Board shall be appointed and revoked by the Supervisory Board. The members of the Management Board shall be appointed for a period of three years. The Management Board shall consist of at least two members. The Supervisory Board shall specify the number of members of the Management Board.

The entitlements of the Management Board to take the decision on issue of shares are also described in §4 of the Statute of the Company:

- *The Management Board may issue shares in exchange for cash or in-kind contributions.*
- *The increase of share capital within the boundaries of authorized capital shall be carried only for the purposes of the exercise of stock options granted under any incentive management stock option plan to employees, including members of the Management Board of the Company or its subsidiaries, previously approved by the General Meeting or the Supervisory Board before June 1, 2010. Resolutions of the Management Board on the setting of issue price, or issuing the shares in exchange for contribution in kind do not require the consent of the Supervisory Board.*
- *Within the boundaries of the authorised share capital, the Management Board shall be authorised to deprive, whether in full or in part, of the pre-emptive right to shares upon the consent of the Supervisory Board. The consent referred to in the first sentence shall be given in a resolution adopted by a majority of four fifths of the votes of the Supervisory Board members.*

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

The obligations of the Supervisory Board shall comprise inter alia:

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

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

7. Financial and asset position of the Group

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

TABLE 3. KEY FINANCIAL CONSOLIDATED DATA OF AMREST (2015–2016)

PLN '000, unless stated otherwise	**2016**	**2015**
Sales revenue	4 207 369	3 338 740
Operating profit before depreciation and amortization (EBITDA)	555 576	436 472
Operating margin before depreciation and amortization (EBITDA margin)	*13.2%*	*13.1%*
Adjusted operating profit before depreciation and amortization (adjusted EBITDA)*	588 438	466 895
*Adjusted operating margin before depreciation and amortization (adjusted EBITDA margin)**	*14.0%*	*14.0%*
Operating profit (EBIT)	268 174	195 743
Operating margin (EBIT margin)	*6.4%*	*5.9%*
Net profit (attributable to AmRest shareholders)	190 564	160 036
Net margin	*4.5%*	*4.8%*
Equity	1 376 610	1 104 074
Return on equity (ROE)	*13.8%*	*14.5%*
Total assets	3 440 963	2 849 802
Return on assets (ROA)	*5.5%*	*5.6%*

* Amounts net of costs of new openings (start-up), costs of mergers and acquisitions (all material costs relating to professional services, connected with finalized merger or acquisition and directly related to the transaction), corrections in indirect taxes and the effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).

Definitions:

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

Operating margin – operating profit to sales;

Net margin – net profit to sales;

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

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

TABLE 4. LIQUIDITY ANALYSIS (IN THE YEARS 2015-2016)

PLN ’000, unless stated otherwise	**2016**	**2015**
Current assets	588 806	522 163
Inventory	82 086	63 550
Short-term liabilities	847 626	565 546
Current ratio	*0.69*	*0.92*
Quick ratio	*0.60*	*0.81*
Cash and cash equivalents	291 641	317 871
Cash ratio	*0.34*	*0.56*
Inventory turnover (in days)	*6.20*	*6.18*
Trade and other receivables	99 384	91 929
Trade receivables turnover (in days)	*6.79*	*7.38*
Operating ratio (cycle) (in days)	*12.99*	*13.55*
Trade and other short-term payables	614 929	461 774
Trade payables turnover (in days)	*41.02*	*39.64*
Cash conversion ratio (in days)	*-28.03*	*-26.08*

Definitions:

Current ratio – current assets to current liabilities;

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

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

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

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

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

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

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

TABLE 5. DEBT ANALYSIS (IN THE YEARS 2015–2016)

PLN '000, unless stated otherwise	**2016**	**2015**
Non-current assets	2 852 157	2 327 639
Liabilities	2 064 353	1 745 728
Long-term liabilities	1 216 727	1 180 182
Debt	1 262 288	1 125 364
Share of inventories in current assets (%)	*13.9%*	*12.2%*
Share of trade receivables in current assets (%)	*16.9%*	*17.6%*
Share of cash and cash equivalents in current assets (%)	*49.5%*	*60.9%*
Equity to non-current assets ratio	0.48	0.47
Gearing ratio	0.60	0.61
Long-term liabilities to equity ratio	0.88	1.07
Liabilities to equity ratio	1.50	1.58
Debt/equity	0.92	1.02

Definitions:

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

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

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

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

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

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

Consolidated sales of AmRest Group grew by 26% in 2016 compared to the prior year (from PLN 3 339m to PLN 4 207m).

Strong top line growth resulted mainly from stable LFL trends in most of brands and markets of AmRest's operations, accelerated pace of organic expansion as well as revenues added from acquired Starbucks chains in Romania and Bulgaria (mid-2015) and Germany (mid-2016).

The largest portion of sales growth came from Western Europe (+64%). This was achieved through mentioned addition of Starbucks Germany to Group's portfolio and well as stable upward LFL trends in La Tagliatella Spain. As a result, by end of 2016 Western Europe accounted for 29% of total sales of AmRest. In Central Europe, revenues grew by 15.5% compared to 2015, which was driven by positive LFL trends across the markets (in some brands double-digit growth) and increased build rate (88 restaurants opened in CE in 2016). Similar growth rate was achieved in Russia (+15.5% vs 2015) thanks to positive LFL trends and additional sales from new restaurants. In China, LFL sales noted a single-digit decline through the year. However, negative trends reversed in December 2016. In 2016 The Group continued expansion of Blue Frog brand in China, leading to 10% increase in revenues of the market.

*TABLE 6. KEY FINANCIALS OF AMREST GROUP BY DIVISION (Q4 2015 AND Q4 2016)**

PLN '000	Q4 2016			Q4 2015		
		Share	*Margin*		*Share*	*Margin*
Sales	**1 214 524**			**917 874**		
Poland	*382 129*	*31.5%*		*348 301*	*37.9%*	
Czech Republic	*136 987*	*11.3%*		*120 255*	*13.1%*	
Hungary	*67 622*	*5.6%*		*48 946*	*5.3%*	
Other CE	*41 128*	*3.4%*		*30 470*	*3.3%*	
Total CE	650 631	*53.6%*		547 972	*59.7%*	
Russia	134 958	*11.1%*		101 099	*11.0%*	
Spain	227 788	*18.8%*		197 390	*21.5%*	
Germany	146 231	*12.0%*		2 749	*0.3%*	
Other Western Europe	4 639	*0.4%*		5 911	*0.6%*	
Western Europe	378 658	*31.2%*		206 050	*22.4%*	
China	59 959	*4.9%*		52 471	*5.7%*	
Unallocated	13 083	*1.1%*		10 282	*1.1%*	
EBITDA	**151 844**		12.5%	**115 351**		12.6%
Poland	*46 094*		*12.1%*	*49 563*		*14.2%*
Czech Republic	*25 820*		*18.8%*	*22 423*		*18.6%*
Hungary	*8 437*		*12.5%*	*7 040*		*14.4%*
Other CE	*8 024*		*19.5%*	*6 050*		*19.9%*
Total CE	88 375		*13.6%*	85 076		*15.5%*
Russia	12 200		*9.0%*	6 517		*6.4%*
Spain	53 777		*23.6%*	40 646		*20.6%*
Germany	9 573		*6.5%*	-1 989		-
Other Western Europe	-1 665		-	-180		-
Western Europe	61 685		*16.3%*	38 477		*18.7%*
China	4 224		*7.0%*	351		*0.7%*
Unallocated	-14 640		-	-15 070		-
Adjusted EBITDA*	**168 547**		13.9%	**121 122**		13.2%
Poland	*49 883*		*13.1%*	*43 770*		*12.6%*
Czech Republic	*27 220*		*19.9%*	*22 798*		*19.0%*
Hungary	*10 508*		*15.5%*	*7 607*		*15.5%*
Other CE	*8 561*		*20.8%*	*6 096*		*20.0%*
Total CE	96 172		*14.8%*	80 271		*14.6%*
Russia	13 065		*9.7%*	11 317		*11.2%*
Spain	55 604		*24.4%*	42 022		*21.3%*
Germany	10 447		*7.1%*	-1 989		-
Other Western Europe	-1 664		-	-175		-
Western Europe	64 387		*17.0%*	39 858		*19.3%*
China	5 176		*8.6%*	801		*1.5%*
Unallocated	-10 253		-	-11 125		-
EBIT	**67 309**		5.5%	**38 896**		4.2%
Poland	*19 385*		*5.1%*	*24 043*		*6.9%*
Czech Republic	*16 835*		*12.3%*	*15 726*		*13.1%*
Hungary	*3 611*		*5.3%*	*4 667*		*9.5%*
Other CE	*5 434*		*13.2%*	*398*		*1.3%*
Total CE	45 265		*7.0%*	44 834		*8.2%*
Russia	2 832		*2.1%*	-708		*-0.7%*
Spain	38 282		*16.8%*	26 506		*13.4%*
Germany	2 585		-	-2 241		-
Other Western Europe	-1 740		-	-5 827		-
Western Europe	39 127		*10.3%*	18 438		*8.9%*
China	-4 986		*-8.3%*	-8 553		-
Unallocated	-14 929		-	-15 115		-

* Data have not been audited

** EBITDA adjusted by costs of new openings (start-up), costs of mergers and acquisitions (all material costs relating to professional services, connected with finalized merger or acquisition and directly related to the transaction), corrections in indirect taxes and the effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).

TABLE 7. KEY FINANCIALS OF AMREST GROUP BY DIVISION (2015 – 2016)

PLN '000	2016			2015		
		Share	*Margin*		*Share*	*Margin*
Sales	**4 207 369**			**3 338 740**		
Poland	*1 413 526*	*33.6%*		*1 294 779*	*38.8%*	
Czech Republic	*487 444*	*11.6%*		*415 848*	*12.5%*	
Hungary	*219 694*	*5.2%*		*163 096*	*4.9%*	
Other CE	*133 663*	*3.2%*		*77 690*	*2.3%*	
Total CE	2 254 327	*53.6%*		1 951 413	*58.4%*	
Russia	465 223	*11.1%*		402 838	*12.1%*	
Spain	836 531	*19.9%*		704 412	*21.1%*	
Germany	356 998	*8.5%*		11 857	*0.4%*	
Other Western Europe	19 145	*0.5%*		23 408	*0.7%*	
Western Europe	1 212 674	*28.8%*		739 677	*22.2%*	
China	229 028	*5.4%*		208 435	*6.2%*	
Unallocated	46 117	*1.1%*		36 377	*1.1%*	
EBITDA	**555 576**		13.2%	**436 472**		13.1%
Poland	*184 747*		*13.1%*	*177 527*		*13.7%*
Czech Republic	*93 190*		*19.1%*	*71 610*		*17.2%*
Hungary	*31 312*		*14.3%*	*22 998*		*14.1%*
Other CE	*23 662*		*17.7%*	*11 798*		*15.2%*
Total CE	332 911		*14.8%*	283 933		*14.6%*
Russia	50 631		*10.9%*	40 457		*10.0%*
Spain	179 505		*21.5%*	146 363		*20.8%*
Germany	13 003		*3.6%*	-4 656		-
Other Western Europe	-4 056		-	-4 819		-
Western Europe	188 452		*15.5%*	136 888		*18.5%*
China	15 103		*6.6%*	7 837		*3.8%*
Unallocated	-31 521		-	-32 643		-
Adjusted EBITDA*	**588 438**		14.0%	**466 895**		14.0%
Poland	*186 585*		*13.2%*	*175 579*		*13.6%*
Czech Republic	*95 595*		*19.6%*	*72 842*		*17.5%*
Hungary	*34 693*		*15.8%*	*24 451*		*15.0%*
Other CE	*25 155*		*18.8%*	*12 074*		*15.5%*
Total CE	342 028		*15.2%*	284 946		*14.6%*
Russia	54 414		*11.7%*	49 653		*12.3%*
Spain	184 708		*22.1%*	148 935		*21.1%*
Germany	16 047		*4.5%*	-4 656		-
Other Western Europe	-4 055		-	-4 814		-
Western Europe	196 700		*16.2%*	139 465		*18.9%*
China	17 833		*7.8%*	11 231		*5.4%*
Unallocated	-22 537		-	-18 400		-
EBIT	**268 174**		6.4%	**195 743**		5.9%
Poland	*86 994*		*6.2%*	*88 053*		*6.8%*
Czech Republic	*62 942*		*12.9%*	*47 154*		*11.3%*
Hungary	*15 922*		*7.2%*	*13 294*		*8.2%*
Other CE	*11 327*		*8.5%*	*2 683*		*3.5%*
Total CE	177 185		*7.9%*	151 184		*7.7%*
Russia	17 812		*3.8%*	14 001		*3.5%*
Spain	124 031		*14.8%*	94 386		*13.4%*
Germany	-4 328		-	-5 506		-
Other Western Europe	-5 778		-	-12 290		-
Western Europe	113 925		*9.4%*	76 590		*10.4%*
China	-8 547		-	-12 392		-
Unallocated	-32 201		-	-33 640		-

* EBITDA adjusted by costs of new openings (start-up), costs of mergers and acquisitions (all material costs relating to professional services, connected with finalized merger or acquisition and directly related to the transaction), corrections in indirect taxes and the effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).

In 2016 AmRest Group delivered record high financial results for the year. Operating profit (EBIT) amounted to PLN 268m and was 37% higher than year ago. EBIT margin grew by 0.5pp and reached 6.4% in 2016. Along with significant growth of revenues, the Company achieved further economies of scale and improved its cost effectiveness. Thanks to favorable trends in food prices and savings on the side of supply chain management, gross margin of the Group increased to 71.9% (+1pp). In 2016 AmRest reported relatively lower G&A expenses (-0.6pp) and depreciation cost (resulting from decreased average cost of new openings). Abovementioned savings offset the impact of growing payroll costs. In 2016 cost of labor increased by 1pp, to large extent driven by consolidation of Starbucks Germany (0.6pp impact on Group's margin) as well as pressure on labor cost in CE and Russia.

2016 EBITDA of the Group increased by 27% over the year and amounted to record high level of PLN 556m. EBITDA margin grew by 0.1pp to 13.2%. Excluding the impact of Starbucks Germany, EBITDA of the Group grew by 24% with EBITDA margin growing to 14% (+0.9pp vs 2015).

In 2016 the business strategy of AmRest was focused on strengthening its leadership position in CE and Spain. As a result, EBITDA profit grew respectively by 17% and 23% over the year. Profits in Central Europe increased by PLN 49m on EBITDA level, mostly on the back of relatively lower cost of food, maintenance expenses and successful rent negotiations. Achieved savings were enough to offset rising labor cost, thus EBITDA margin in CE grew by 0.2pp and reached 14.8% in 2016. Outstanding business performance in Czech Republic and Romania, driven by double-digit LFL trends and further improvement of stores' effectiveness, resulted in further expansion of EBITDA margins in these countries (19% and 25% respectively in 2016). Observed EBITDA margin deterioration in Poland (-0.6pp in 2016) came mostly from lower other operating income as compared to 2015. The impact of growing pressure on labor cost was to full extent offset by savings in food cost, rent and semi-variable cost.

In Spain EBITDA margin increased to 21.5% in 2016 (+0.7pp). Stable LFL trends continued and thanks to economies of scale Spanish division reported relatively lower G&A and labor cost.

Situation in Russian market showed signs of stabilization, which was reflected in 2016 results. EBITDA profit in Russia grew over the year by 25% amounting to PLN 51m in 2016. The margin improved by 0.9pp and reached 10.9%. Successful rent negotiations and G&A savings compensated for higher labor and maintenance cost.

In 2016 AmRest continued expansion of Blue Frog chain in China. Growing scale of operations (8 restaurants added in 2016) and significant improvement of store-level effectiveness were the key drivers of doubled profitability (EBITDA increased form PLN 8m to PLN 15m for the year). EBITDA margin strengthened by 2.8pp to 6.6% in 2016, which was possible thanks to relatively lower cost of food, payroll and pre-opening expenses.

Net profit of the Group, attributable to AmRest shareholders, amounted to PLN 191m (compared to PLN 160m in 2015). This represented a 19% growth over the year.

At the end of 2016 the liquidity ratios reflected solid balance sheet structure of the Group. The long-term debt ratio decreased to 0.88 at the end of the year (vs 1.07 year ago). Net debt calculated for contractual covenants as at the end of 2016 amounted to PLN 980m. Net debt/EBITDA ratio amounted to 1.81.

7.2. Assessment of future ability to settle incurred liabilities

The Consolidated Financial Statements for the period of 12 months ending 31 December 2016 were prepared in accordance with going concern assumption by the Group in foreseeable future what assumes realization of assets and liabilities throughout the normal terms of Group business operations. The Annual Consolidated Financial Statements do not contain any adjustments that would be necessary in such circumstances. In the opinion of the Management Board, as at the date on which the Consolidated Financial Statements were drawn up, there were no circumstances indicating any threat to the Company continuing as a going concern.

7.3. *Financial instruments in AmRest*

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

At 31 December 2016 the AmRest Group held the following committed credit lines available for use (in respect of foreign currency loans, their amounts are given in PLN, translated at the NBP rate prevailing on 31.12.2016):

- Bank Pekao S.A., Bank Zachodni WBK S.A., ING Bank Śląski S.A., Bank BGŻ BNP Paribas S.A. (Poland) – PLN 300 000 thousand (revolving loan in PLN, tranche D),

Detailed information on loans, borrowings and bonds as at 31 December 2016 are presented in Note 18 to the Consolidated Financial Statements and in Appendix No. 10 of the Supplement to the Management Board's Report.

Other financial instruments as at 31 December 2016, are described in Note 31 of the Consolidated Financial Statements.

7.4. *Structure of key investments and capital expenditure projects*

As at 31 December 2016, AmRest's investments in associates amounted to PLN 888 thousand. They were related to SCM s.r.o. shares.

7.5. *Description of key domestic and foreign investments*

Increases in non-current assets in the years 2015 and 2016 are shown in the table below.

TABLE 8. THE GROUP'S PURCHASES OF NON-CURRENT ASSETS (2015–2016)

PLN '000	**2016**	**2015**
Intangible assets, including:	**191 271**	**84 238**
Licences for use of Pizza Hut, KFC, Stabucks and Burger King trademarks	22 574	9 314
Goodwill	146 360	11 637
Other intangible assets	22 337	63 287
Fixed assets, including:	**483 523**	**268 995**
Buildings	244 579	159 102
Equipment	141 871	87 540
Vehicles	2 515	2 872
Other (including fixed assets under construction)	94 558	19 481
Total	**674 794**	**353 233**

Capital expenditure incurred by AmRest Group in 2016 related mainly to construction of new restaurants, renovation of existing stores and acquisition of 144 Starbucks coffee shops in Germany in May 2016. The goodwill increased in 2016 by PLN 146m, driven by mentioned M&A in Germany. The PLN 215m increase in capital spending on fixed assets resulted mainly from accelerated pace of organic expansion and acquisition of Starbucks in Germany (PLN 74m allocated on fixed assets). In 2016 capital expenditure was financed mainly with operating cash flows and bank loans.

As at the end of 2016, AmRest was operating 1 181 restaurants (904 as at the end of 2015). In 2016 the Group opened 146 new restaurants, acquired 144 restaurants, 13 restaurants were closed.

TABLE 9. NUMBER OF AMREST RESTAURANTS AS AT 31 DECEMBER 2016

	AmRest	Franchisees	Total
As at the end of 2015	782	122	**904**
Openings	132*	14	**146**
Acquisitions	144	0	**144**
Closings	-10	-3*	**-13**
Total	**1048**	**133**	**1181**

* Data include 1 conversion of La Tagliatella franchised restaurant into equity restaurant.

As at March 16th, 2017 AmRest operates 1 194 restaurants.

TABLE 10. NUMBER OF AMREST RESTAURANTS AS AT THE DATE OF PUBLICATION OF THE REPORT

Countries	Brands	31.12.2015	31.03.2016	30.06.2016	30.09.2016	31.12.2016	16.03.2017
Poland	**TOTAL**	**346**	**345**	**355**	**361**	**389**	**389**
	KFC	206	206	208	212	222	222
	BK	33	33	34	35	36	36
	SBX	40	40	43	44	52	52
	PH	67	66	70	70	79	79
Czech	**TOTAL**	**102**	**103**	**104**	**106**	**114**	**114**
	KFC	71	71	71	73	78	78
	BK	7	7	7	7	8	8
	SBX	24	25	26	26	28	28
Hungary	**TOTAL**	**49**	**49**	**50**	**55**	**66**	**66**
	KFC	35	35	35	39	45	45
	SBX	12	12	13	14	16	16
	PH	**2**	**2**	**2**	**2**	**5**	**5**
Russia	**TOTAL**	**109**	**111**	**119**	**120**	**123**	**123**
	KFC	101	103	111	112	115	115
	PH	8	8	8	8	8	8
Bulgaria	**TOTAL**	**11**	**11**	**11**	**11**	**11**	**11**
	KFC	5	5	5	5	5	5
	BK	1	1	1	1	1	1
	SBX	5	5	5	5	5	5
Serbia	**TOTAL**	**5**	**5**	**5**	**5**	**5**	**5**
	KFC	5	5	5	5	5	5
Croatia	**TOTAL**	**5**	**5**	**5**	**6**	**6**	**6**
	KFC	5	5	5	6	6	6
Romania	**TOTAL**	**19**	**19**	**19**	**22**	**28**	**28**
	SBX	19	19	19	22	28	28
Slovakia	**RAZEM**	**0**	**0**	**1**	**2**	**3**	**3**
	SBX	0	0	1	2	3	3
Spain	**TOTAL**	**216**	**219**	**227**	**232**	**245**	**246**
	TAG - own restaurants	65	66	67	68	77	74
	TAG - franchised units	115	116	123	124	125	129
	KFC	36	37	37	40	43	43
France	**TOTAL**	**10**	**10**	**10**	**10**	**10**	**9**
	TAG - own restaurants	4	4	5	5	5	4
	TAG - franchised units	6	6	5	5	5	5
Germany	**TOTAL**	**2**	**2**	**145**	**145**	**145**	**157**
	SBX	**0**	**0**	**143**	**143**	**143**	**140**
	TAG - own restaurants	2	2	2	2	2	2
	KFC	0	0	0	0	0	15
China	**TOTAL**	**29**	**30**	**32**	**34**	**36**	**37**
	Blue Frog	25	26	28	30	32	33
	KABB	4	4	4	4	4	4
	TAG - own restaurants	0	0	0	0	0	0
USA	**TOTAL**	**1**	**0**	**0**	**0**	**0**	**0**
	TAG - own restaurants	1	0	0	0	0	0
	TAG - franchised units	0	0	0	0	0	0
TOTAL AmRest		**904**	**909**	**1083**	**1109**	**1181**	**1194**

7.6. Insurance contracts

TABLE 11. INSURANCE CONTRACTS (AS AT THE END OF 2016)

The Insured	Type of insurance	The Insurer
A master property insurance agreement for all companies CEE and Russia (in each country a local policy was underwritten with reference to the master policy)	All risks property insurance All risks insurance of loss of profit Electronic property policy insurance	AXA TUiR S.A. [local policies underwritten by AXA or local partner of AXA]
A master general liability insurance policy for all operations of all companies CEE and Russia (in each country a local policy was underwritten with reference to the master policy)	General liability insurance in respect of operations and property with extensions	AXA TUiR S.A. [local policies underwritten by AXA or local partner of AXA]
A policy underwritten in Spain covering Spain, France and Germany	All risks property insurance All risks insurance of loss of profit General liability cover	AIG
A policy underwritten in Spain covering Spain, France and Germany	Cargo transport Construction All Risk	AIG HDI
Policy for companies in USA	General liability cover	Essex Insurance Company
Policy for companies in China	All risks property insurance General liability cover Cash insurance	AIG CHUBB AXA
Policy for companies in China	Employer liability insurance Group Health Insurance for Employee	PICC Met Life
General liability policy for the authorities of the commercial companies for all Group companies including the USA	D&O insurance	ACE European Group Limited [local policy in China underwritten by Lloyd's and in Serbia underwritten by Wiener Śtaedtische VIG]
Motor insurance in Poland	All risks, Third party and Accident insurance	Ergo Hestia

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

On January 22nd, 2016 AmRest informed about signing on the same day the termination of the Distribution Agreement concluded on April 17th, 2008 between AmRest Kft (formerly American Restaurants Kft) and AmRest Kávézó Kft (together called "AmRest Hungary") and LDS Disztibútor Szolgáltató Kft (formerly Lekkerland Export-Import Kft, hereinafter "Distributor 1") ("Agreement 1"). The Agreement was announced in the current report RB 23/2008 dated April 18th, 2008.

The subject of the Agreement 1 were distribution services provided by Distributor 1 to the restaurants operated by AmRest Hungary.

Dissolution of the Agreement 1 shall be effective on June 1st, 2016.

The Agreement 1 was terminated by AmRest Hungary due to the Company's strategy of consolidating the distribution in Central and Eastern Europe. Termination of the Agreement 1 will not have financial consequences for the Company, as well as its subsidiaries (including AmRest Hungary).

On January 22nd, 2016 AmRest informed also that AmRest Coffee SK s.r.o. and Starbucks EMEA LTD and Starbucks Manufacturing EMEA B.V. (collectively: "Starbucks") signed on January 22nd, 2016 the Area Development and Operation Agreement and Supply Agreement regarding the rights and license to develop, own and operate Starbucks stores in the Slovak Republic (collectively: the "Agreements"). AmRest Coffee SK s.r.o. is the company created by AmRest s.r.o. and AmRest Sp. z o.o., 100% subsidiaries of AmRest. Agreements came into force upon their signing.

The Agreements were concluded for a period of 15 years from the date of their entry into force, with an option to extend the term for an additional 5 years upon the fulfillment of certain conditions. AmRest Coffee SK s.r.o. will be the only entity with the right to develop and operate Starbucks stores in the Slovak Republic during the term of the Agreements with non-exclusive rights to certain institutional locations and sale channels.

The key fees and costs to be borne by the AmRest Coffee SK s.r.o. will be:

- the services fee for initial operation support in an amount equal to the costs incurred by Starbucks in this regard,
- the initial franchise fee of USD 25 thousand for each Starbucks store,
- the continuing licensing and service fee equal to 6% of sales revenues of each Starbucks store,
- the fee creative services equal to 1% of sales revenues of each Starbucks store.
- a local marketing spend obligation is to be mutually agreed annually.

AmRest Coffee SK s.r.o. agreed to open and operate Starbucks stores in strict accordance with the development schedule which includes the minimum numbers of openings in each year within the Agreements' period. If AmRest Coffee SK s.r.o. fails to meet the development obligations, Starbucks will have the right to charge a development default fee or to terminate the Agreements. The Agreements include the provision concerning the purchase of coffee and other basic supplies either from Starbucks or other approved or designated suppliers.

On April 20th, 2016 Management Board of AmRest announced signing of a Sale and Purchase Agreement (the "SPA"), dated April 19th, 2016, between AmRest Capital ZRT ("Buyer 1"), AmRest Kaffee Sp. z o.o. („Buyer 2") (collectively „Buyers"), AmRest Work Sp. z o.o. ("New General Partner") and AmRest Holdings SE ("Guarantor"), Starbucks Coffee EMEA B.V. ("Seller") and Starbucks EMEA Ltd ("Hitherto General Partner"). Under the terms of the SPA Buyers acquired 100% partnership interest in Starbucks Coffee Deutschland Ltd & Co. KG ("Starbucks Deutschland") and the hitherto General Partner of Starbucks Deutschland was replaced with New General Partner. Estimated purchase price was expected at ca. EUR 41 million (ca. PLN 178 million). Final purchase price was to be determined as at the day of the transaction closing.

Starbucks Deutschland was an operator of Starbucks stores in Germany (which were the subject of SPA) and a subsidiary of Starbucks Corporation - the owner of the Starbucks brand. At the date of the SPA signing Starbucks Deutschland managed 144 equity restaurants in dozens cities across the country. Estimated revenues of Starbucks Deutschland in the financial year 2015 amounted to approx. EUR 131 million (ca. PLN 564 million) and EBITDA profit calculated for the purpose of purchase price estimation stood at approx. EUR 6 million (ca. PLN 25 million).

The parties of SPA intended to close the transaction by the end of May 22nd, 2016 ("Completion"). The SPA did not provide for additional conditions the Completion is contingent upon, beyond the standard material adverse change clause ("MAC"). SPA should enter into force on May 23rd, 2016. On or before that day, Starbucks Deutschland should be renamed to AmRest Coffee Deutschland Sp. z o.o. & Co. KG ("AmRest Coffee Deutschland").

Simultaneously, Management Board of AmRest informed that StarbucksCoffee Deutschland, Starbucks EMEA LTD and Starbucks Manufacturing EMEA B.V. (collectively: "Starbucks") signed on April 19th, 2016 the Area Development and Operation Agreement ("ADOA") and Supply Agreement regarding the rights and license to develop, own and operate Starbucks stores in Germany (collectively: the "Agreements"). Agreements were conditional and were to come into force after the Completion of the SPA.

The Agreements were concluded for a period of 15 years from the date of their entry into force, with an option to extend the term for additional 5 years upon the fulfillment of certain conditions.

The key fees and costs to be borne by the AmRest Coffee Deutschland would be:

- the initial franchise fee of USD 25 thousand (ca. PLN 95 thousand) for each new location opened,

- the continuing licensing and service fee equal to 6% of sales revenues of each Starbucks store,

- a local marketing spend obligation is to be mutually agreed annually (for the first year of the Agreements, the amount shall be 4 percent of sales).

AmRest Coffee Deutschland agreed to open and operate Starbucks stores in strict accordance with the development schedule specified in the Agreements. If AmRest Coffee Deutschland fails to meet the development obligations, Starbucks will have the right to charge a development default fee or to terminate the ADOA and Supply Agreement. The Agreements included the provision concerning the purchase of coffee and other basic supplies either from Starbucks or other approved or designated suppliers.

In the opinion of the Management Board of AmRest there is a great potential for development of Starbucks brand in the German market. The Company's intention is to triple the scale of that business within the coming years.

Announced acquisition is another milestone in building the leading position of AmRest in European restaurant market. Management Board of the Company believes that the addition of well positioned Starbucks business in Germany will contribute to value creation for AmRest's shareholders.

On May 23rd, 2016 the Management Board of AmRest informed about the Completion on the same day of the SPA. As a result of the Completion Buyers acquired 100% partnership interest in Starbucks Deutschland at total price of EUR ca. 40 million (PLN ca. 177 million) and the General Partner of Starbucks Deutschland was replaced with New General Partner.

Under the terms of the SPA Starbucks Deutschland was renamed to AmRest Coffee Deutschland. As a result of the Completion AmRest became an operator of 144 Starbucks stores in dozens cities across the German market.

Simultaneously, Management Board of AmRest informed that the Area Development and Operation Agreement and Supply Agreement between AmRest Coffee Deutschland, Starbucks EMEA LTD and Starbucks Manufacturing EMEA B.V. concerning the rights and license to develop, own and operate Starbucks stores in Germany came into force.

On May 6th, 2016 the Management Board of AmRest informed in regards to the Credit Agreement (“the Agreement”) referred to in RB 61/2013 dated September 10th, 2013, about signing on May 6th, 2016 an Annex to the Agreement introducing amended and restated version of the credit agreement („the Amended Agreement”) between AmRest, AmRest Sp. z o.o. („AmRest Poland”) and AmRest s.r.o. („AmRest Czech”) – jointly „the Borrowers” and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Bank BGŻ BNP Paribas S.A. and ING Bank Śląski S.A. – jointly „the Lenders”. AmRest Poland and AmRest Czech are 100% subsidiaries of AmRest.

Based on the Amended Agreement the Lenders granted to the Borrowers an additional credit tranche (“Tranche E”) in the amount of EUR 50 million and increased revolving credit tranche (“Tranche D”) by PLN 100 million. The amount granted within Tranche E was dedicated to finance or refinance costs of M&A activities, while increased revolving credit was to finance working capital and capital expenditures.

The tranches were provided at the variable interest rates and other terms of the traches were consistent with the market conditions. All Borrowers bear joint liability for any obligations resulting from the Agreement.

Both tranches are to be repaid in full by September 10th, 2018.

The Amended Agreement was defined as significant agreement because its value exceeded the level of 10% of AmRest equity.

On May 20th, 2016 the Management Board of AmRest informed about signing on the same day the distribution agreement (“the Agreement 2”) between AmRest’s subsidiaries – AmRest Kft and AmRest Kávézó Kft (jointly “AmRest’s subsidiaries”) and Quick Service Logistics Hungaria Bt (“Distributor 2”).

On the basis of the Agreement 2 the Distributor 2 deals with purchasing, warehousing and sale of products for the restaurants operated by AmRest’s subsidiaries in Hungary.

Estimated value of the contract was PLN 167 million (HUF 12 billion). The Agreement 2 has been signed for a period from May 30th, 2016 to May 31st, 2019with an option to extend the term for an additional two years.

Signing of the Agreement 2 was a result of the Company's strategy aimed at consolidating the distribution in Central and Eastern Europe.

The Agreement has been considered as significant because of its value, which exceeded 10% of AmRest equity as of March 31st, 2016.

On May 24th, 2016 the Management Board of AmRest informed about signing on May 23rd, 2016 the Binding Head of Terms (“HoT”) determining the key terms and conditions on, and subject to which, Pizza Hut Europe (“PH Europe”) would be willing to proceed with a potential transaction with AmRest whereby AmRest and PH Europe would enter into a Definitive Agreement, Master Franchise Agreement (“MFA”), Development Agreement (“DA”) and related International Franchise Agreements and Shareholder Deed(s) (collectively: the “Agreements”). The Agreements determined the rights and license to develop, own and operate Pizza Hut restaurants in countries of Central and Eastern Europe: Poland, Czech Republic, Hungary, Bulgaria, Serbia, Croatia, Slovakia and Slovenia.

According to the HoT AmRest, as a master-franchisee, would have the right to granting the license to the third parties to operate Pizza Hut restaurants (sub-franchise), while ensuring a certain share of restaurants operated directly by the Company.

On July 1st, 2016 the Management Board of AmRest informed about signing on June 30th, 2016 the Amendment to HoT. The Amendment extended the term of HoT, and simultaneously the period during which the Agreements should be executed, to July 15th, 2016. If the parties failed to execute the Agreements by that day, the HoT would terminate immediately. Remaining provisions of the HoT had not changed.

On July 15th, 2016 the Management Board of AmRest informed about signing on July 15th, 2016 the Amendment no. 2 to HoT. The Amendment extended the term of HoT, and simultaneously the period during which the Agreements should be executed, to July 31st, 2016. If the parties failed to execute the Agreements by that day, the HoT would terminate immediately. Remaining provisions of the HoT had not changed.

On August 1st, 2016 the Management Board of AmRest informed about signing on July 31st, 2016 the Amendment no. 2 to HoT. The Amendment extended the term of HoT, and simultaneously the period during which the Agreements should be executed, to August 15th, 2016. If the parties failed to execute the Agreements by that day, the HoT would terminate immediately. Remaining provisions of the HoT had not changed.

On August 16th, 2016 AmRest informed about signing on August 15th, 2016 the MFA and DA with PH Europe.

The provisions of the Agreements entered into force on October 1st, 2016.

According to the MFA AmRest, as a master-franchisee, obtained the right to granting the license to the third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise), while ensuring a certain share of restaurants operated directly by the Company.

The MFA was granted for initial period of 10 years with an option of further prolongations upon the fulfillment of certain terms and conditions.

The DA was concluded for a period of 5 years and will be prolonged for another 5 years on terms and conditions to be determined by the parties.

In order to facilitate the growth of scale of Pizza Hut business, PH Europe introduced an incentive mechanism reducing certain fees incurred by AmRest under the MFA ("Reduced Fees"), provided that the Company meets certain development obligations specified in the DA.

Upon entry into force of the Agreements AmRest is required to open and operate Pizza Hut Express and Delivery restaurants in accordance with the development schedule setting the minimum number of openings in the subsequent years of the Agreements' term. If AmRest fails to meet the development obligations, PH Europe will have the right to increase the Reduced Fees and change the terms or terminate the MFA and/or DA. The Company's intention is to open about 300 Pizza Hut restaurants within 5 years.

In the opinion of the Management Board of AmRest there is a great potential for growing Pizza Hut brand in Central and Eastern Europe. Master-franchisee right will contribute to strengthening AmRest's leadership position of restaurant operator in the region and drive the value creation for AmRest's shareholders.

On November 30th, 2016 the Management Board of AmRest announced the signing of an assets sale and transfer agreement (the "APA"), dated November 30th, 2016, between AmRest Holdings SE ("Buyer 3") and Kentucky Fried Chicken (Great Britain) Ltd., German Branch ("Seller"). Under the terms of APA Buyer acquired 15 KFC restaurants operating in the German market. Estimated purchase price was expected at ca. EUR 10.3 million (ca. PLN 45.6 million). Final purchase price was to be determined as at the day of the transaction closing.

Estimated revenues of the restaurants in the twelve months period ended on August 31st, 2016 amounted to EUR 27.4 million (ca. PLN 121.5 million).

The parties of APA intended to close the transaction within a couple of months ("Completion 3"). The Completion 2 was contingent upon some additional conditions, including obtaining antitrust approvals, concluding additional agreements ensuring restaurants proper functioning after Completion, and lack of the material adverse change ("MAC").

The transaction was to be financed with AmRest's available cash.

In the opinion of the Management Board of AmRest, great potential for development of KFC brand in the German market, combined with the Company's over 20 years' experience in running KFC restaurants will allow AmRest to substantially increase the scale of that business within the coming years.

On March 1st, 2017 the Management Board of AmRest announced the Completion 3 on March 1st, 2017 of the APA.

As a result of the Completion 3 AmRest acquired 15 KFC restaurants operating in the German market. The purchase price amounted to EUR 10.28 million (ca. PLN 44.15 million).

All the approvals and conditions the Completion was contingent upon in accordance with the APA had been obtained and fulfilled.

On December 20th, 2016, in regards to RB 21/2014 dated April 4th, 2014, the Management Board of AmRest informed about signing on December 20th, 2016 the Annex to distribution agreement ("the Agreement PL") between AmRest's subsidiaries – AmRest Sp. z o.o., AmRest Coffee Sp. z o.o.("Polish Subsidiaries") and Quick Service Logistics Polska Sp. z o.o. sp.k. („QSL Poland").

On the basis of the Agreement PL QSL Poland deals with purchasing, warehousing and sale of products for the restaurants operated by Polish Subsidiaries in Poland.

The Annex extended the term of the Agreement PL by 3 years, i.e. to October 6th, 2023. Other conditions of the Agreement PL remain unchanged.

Extension of Agreement PL caused increase of its estimated value of about 1 billion PLN, which exceeded 10% of AmRest equity as of September 30th, 2016.

Simultaneously, in regards to RB 37/2012 dated September 18th, 2012, Management Board of AmRest informed about signing on December 20th, 2016 the Annex to distribution agreement ("the Agreement CZ") between AmRest's subsidiaries – AmRest s.r.o., AmRest Coffee s.r.o. ("the Czech Subsidiaries") and Quick Service Logistics Czech s.r.o. ("QSL Czech").

On the basis of the Agreement CZ QSL Czech deals with purchasing, warehousing and sale of products for the restaurants operated by Czech Subsidiaries in the Czech Republic.

The Annex extended the term of the Agreement CZ by 5 years, i.e. to October 31st, 2022. Other conditions of the Agreement CZ remain unchanged.

Extension of Agreement CZ resulted in increase of its estimated value of CZK 2.25 billion, being about PLN 370 million, which exceeded 10% of AmRest equity as of September 30th, 2016.

On January 25th, 2017 the Management Board of AmRest announced the signing of a Share Purchase Agreement ("SPA 2"), dated January 24th, 2017, between AmRest and Top Brands NV ("Seller"). Pursuant to SPA 2 AmRest will acquire 100% shares of Pizza Topco France SAS ("Pizza Topco") at estimated price of ca. EUR 14m (approx. PLN 61m). Final purchase price will be determined as at the day of closing of the transaction.

Pizza Topco is the exclusive master franchisee of Pizza Hut Delivery restaurants across France. At the date of the SPA 2 signing Pizza Topco operated 123 restaurants, the majority of which are managed by franchisees. The equity restaurants (7 locations) are managed by Pizza Delco France SAS ("Pizza Delco"), a company owned in 100% by Pizza Topco. In 2016 fiscal year the network generated the system sales of approx. EUR 67.6m (PLN 295.6m). The consolidated revenues of Pizza Topco amounted to ca. EUR 14.5m (approx.. PLN 63.4m).

Both parties intended to close the transaction within couple of months. The completion is contingent upon a number of conditions, such as: standard material adverse change clause ("MAC"), approval from the Supervisory Board of AmRest, signing of a master franchise agreement with YUM! Restaurant Holdings (Pizza Hut brand owner), etc.

The acquisition of Pizza Topco fits perfectly the plans of accelerated development of the Pizza Hut brand initiated by signing in August 2016 the master franchise agreement for Central and Eastern Europe countries. AmRest intends to develop in France both the Pizza Hut Delivery and Express concepts.

The Management Board is confident that the addition of Pizza Hut Delivery business in France is a great strategic move that will be accretive to AmRest shareholders.

On January 25th, 2017 the Management Board of AmRest announced signing on March 15th, 2017 the Binding Head of Terms 1 ("HoT 1") determining the key terms and conditions on, and subject to which, KFC France SAS ("KFC France") would be willing to proceed with a potential transaction with AmRest whereby (i) KFC would sell and AmRest would buy 42 equity restaurants run by KFC France ("KFC Business") in the French market, and (ii) KFC and the Company would sign a Development Agreement and Standard KFC International Franchise Agreement for each restaurant (collectively called the "Contemplated Transaction").

The purchase price for the KFC Business is subject to the results of a due diligence to be carried out by AmRest.

It is the intention of AmRest and KFC France that the final agreements (the agreements required for closing of the Contemplated Transaction) shall be signed no later than April 30th, 2017, and closing of the Contemplated Transaction, including transfer of ownership of KFC Business and payment of the purchase price shall occur no later than June 30th, 2017. If the parties fail to sign the final agreements by August 1st, 2017 the HoT 1 shall terminate immediately, unless otherwise agreed in writing by both parties.

In the opinion of the Management Board of AmRest there is a great potential for growing KFC brand in Western Europe. Acquisition of a number of KFC French restaurants will contribute to strengthening the partnership with Yum! Brands and AmRest's leadership position of restaurant operator in Europe as well as drive the value creation for AmRest's shareholders.

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

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

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

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

8. The AmRest Holdings SE Group in 2016

8.1. Planned investment activities and assessment of their feasibility

Investment activities of AmRest Group are focused on strengthening its leadership position and further expansion of scale in Europe through dynamic organic development and M&A activities. Additionally, continued improvement of operating efficiency and increased effectiveness in capital allocation positively impact long-term value creation for shareholders. The ’80/20 investment strategy’, focused on development of proven and mature brands of AmRest‘s portfolio, assumes further expansion of KFC and Starbucks brands in Europe, as well as continued roll-out of La Tagliatella restaurants in Spain.

Favorable macro trends in CE and Spain, increased traffic in restaurants of the Group and growing average spending on dining-out indicate continuation of upward trends in restaurant industry. In the light of the above, AmRest plans to increase investment activity within mentioned brands.

In 2016 AmRest opened 146 new restaurants, significantly increasing development pace vs previous years. Management of the Company recognized substantial white space for expansion within existing portfolio in current markets of operations. Improved process of site selection, decreased average cost of new openings and strengthened margins across the board translated into higher returns on invested capital. Successful roll-out of ‘lighter’ formats of KFC Kiosk, Pizza Hut Express and Pizza Hut Delivery allows to enter new segments and increase the penetration of restaurant market. All the above, combined with a solid pipeline of new openings should lead to increased pace of organic expansion in 2017.

The plan of new openings will be adjusted on an on-going basis to the current market conditions and access to attractive locations in each country. Management of the Group is very restrictive and selective in allocation of available capital to ensure minimum 20% IRR on each investment.

AmRest monitors recent developments in the M&A market for the potential acquisition that fit in the strategy of the Group. Current portfolio of the Company as well as existing markets of operation are the two filters of potential M&A activity.

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

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

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

8.2.1. External factors

The external factors include:

- competitiveness – in terms of prices, quality of service, location and quality of food,
- demographic changes,
- consumer habits and trends as to the number of people using the restaurants,
- number and location of the competitors’ restaurants,
- changes in the law and regulations which have a direct effect on the functioning of the restaurants and the employees employed therein,
- change in real estate rental costs and related costs,
- changes in the prices of ingredients used to prepare meals and changes in the prices of packaging materials,
- changes in the general economic condition in Poland, the Czech Republic, Hungary, Bulgaria, Russia, Serbia, Croatia, Romania, Slovakia, Spain, France, Germany and China.

- changes in consumer trust, the amount of disposable income and individual spending patterns,
- changes in legal and tax determinants,
- adverse changes on the financial markets.

8.2.2. Internal factors

The internal factors include:

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

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

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

9.1. Factors remaining outside the Company's control

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

9.2. Dependency on the franchisor

AmRest manages KFC, Pizza Hut, Burger King and Starbucks (in Romania, Bulgaria, Germany and Slovakia) as a franchisee, and therefore a number of factors and decisions related to the business activities conducted by AmRest depend on the limitations or specifications imposed by the franchisors or on their consent.

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

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

Franchise agreements for Starbucks stores in Romania are valid till 2023, in Bulgaria until 2027 and in Germany until 2031.

9.3. Dependency on joint venture partners

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

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

9.4. No exclusive rights

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

In the case of Starbucks restaurants, the joint venture companies are the only entities authorized to develop and run Starbucks cafés in Poland, the Czech Republic and Hungary, without exclusive rights to some institutional locations. The exclusive rights apply also to restaurants operated in Romania, Bulgaria, Germany and Slovakia.

9.5. Rental agreements and continuation options

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

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

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

9.6. Risk related to the consumption of food products

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

9.7. Risk related to keeping key personnel in the Company

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

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

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

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

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

9.10. Risk related to developing new brands

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

9.11. Risk related to opening restaurants in new countries

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

9.12. Currency risk

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

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

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

9.14. Risk of increased financial costs

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

9.15. Liquidity risk

The Company is exposed to the risk of lack of financing at the moment of maturity of bank loans and bonds. As at 31 December 2016, the Company has enough short-term assets, including cash and promised credit limits, to fulfil is liabilities due in the next 12 months.

9.16. Risk of economic slowdowns

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

9.17. Risk related to seasonality of sales

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

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

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

10. Company’s strategic development directions

AmRest’s strategy is to leverage its unique “Anything Is Possible” culture, international capability and superior brand portfolio to grow scalable (min. USD 50m annual sales) and highly profitable (min. 20% IRR) restaurants globally.

In the upcoming years, the Group plans to strengthen its leadership position of restaurant sector in Europe. The growth will be mainly driven by increased pace of new openings as well as potential M&A activities within existing portfolio of the Group.

Encouraged by favourable macro trends, solid operational performance, strong margins and improved returns on invested capital, the Company will focus on further expansion of KFC, Starbucks and La Tagliatella brands. In addition, the master-franchise agreement for development of Pizza Hut Express and Delivery formats in CE creates new white space for future growth of scale.

In a long-term perspective, the Company will continue its efforts aimed at building attractive growth platform in new markets of Europe. Strengthening the portfolio of proprietary brand will play an important role in this area.

Company’s strategic development directions will be also determined by current trends in restaurant industry as well as changing patterns in consumers’ behaviours. Growing share of delivery segment and development of new technologies are important factors shaping the future investment plans of the Group.

11. Management Representations

11.1. Correctness and fairness of the presented financial statements

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

11.2. Selection of the registered audit company

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

The agreement with PricewaterhouseCoopers Sp. z o.o. was signed on June 18th, 2015 and is valid until December 31st, 2017 year.

TABLE 12. REMUNERATION OF THE ENTITY ENTITLED TO AUDIT FINANCIAL STATEMENTS

PLN '000	For the period: from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
PricewaterhouseCoopers Sp. z o.o.	**398**	**418**
Due to a contract for the review and audit of financial statements, including:		
- audit of annual financial statements	238	258
- review of financial statements	160	160
Other contracts	-	-
Other companies from the PricewaterhouseCoopers group	**2 703**	**2 117**
Due to a contract for the review and audit of financial statements, including:		
- other assurance services	1 780	1 215
- tax advisory services	913	901*
- other services	10	-

* Including PLN 747 thousand. concerning non-invoiced expenses for the year 2015 and resulting from the existing agreement

Wrocław, March 16th, 2017

Mark Chandler
AmRest Holdings SE
Board Member

Wojciech Mroczyński
AmRest Holdings SE
Board Member

Drew O'Malley
AmRest Holdings SE
Board Member

Oksana Staniszewska
AmRest Holdings SE
Board Member

Olgierd Danielewicz
AmRest Holdings SE
Board Member

AmRest Holdings SE

Annual Separate Financial Statements as at and for the twelve months ended December 31st, 2016

Contents:

Annual Separate Income Statement for the 12 months ended December 31, 2016

In thousands of Polish Zloty	**Note**	**12 months ended December 31, 2016**	**12 months ended December 31, 2015**
General and administrative expenses (G&A)		(1 919)	(6 810)
Other operating costs	9	(7 829)	(10 919)
Other operating income	9	35 564	13 521
Finance income	9	32 367	18 148
Finance cost	9	(12 001)	(12 714)
Profit before tax		**46 182**	**1 226**
Income tax expense	10	(383)	(579)
Profit for the period		**45 799**	**647**
Basic profit per share in Polish zloty	14	2,16	0,03
Diluted profit per share in Polish zloty	14	2,16	0,03

The Annual Separate Income Statement has to be analyzed jointly with the notes which constitute an integral part of these financial statements.

Annual Separate Statement of Comprehensive Income for the 12 months ended December 31, 2016

In thousands of Polish Zloty	**12 months ended December 31, 2016**	**12 months ended December 31, 2015**
Profit for the period	**45 799**	**647**
Other comprehensive income	-	-
Total comprehensive income for the period	**45 799**	**647**
Total items that may be reclassified subsequently to profit or loss	45 799	647

The Annual Separate Statement of Comprehensive Income has to be analyzed jointly with the notes which constitute an integral part of these financial statements.

Annual Separate Statement of Financial Position as at December 31, 2016

In thousands of Polish Zloty	Note	December 31, 2016	December 31, 2015
Assets			
Other intangible assets		316	551
Investment in associates	2	898 093	890 852
Other non-current assets	3	174 314	174 200
Total non-current assets		**1 072 723**	**1 065 603**
Trade and other receivables	5	42 554	16 718
Income tax receivables	5	-	744
Other current assets		79	144
Other financial assets	3	8 963	8 019
Cash and cash equivalents	8	11 139	14 012
Total current assets		**62 735**	**39 637**
Total assets		**1 135 458**	**1 105 240**
Equity			
Share capital		714	714
Reserves	7	733 667	744 103
Retained Earnings	7	101 710	55 911
Total Equity attributable to shareholders of the parent		**836 091**	**800 728**
Liabilities			
Deferred tax liabilities	10	372	327
Trade and other payables	6	11 255	21 629
Non-current bonds liabilities	4	279 483	279 157
Total non-current liabilities		**291 110**	**301 113**
Trade and other payables	6	7 918	3 399
Other financial liabilities	4	8	-
Liabilities from income tax		331	-
Total current liabilities		**8 257**	**3 399**
Total liabilities		**299 367**	**304 512**
Total equity and liabilities		**1 135 458**	**1 105 240**

The Annual Separate Statement of Financial Position has to be analyzed jointly with the notes which constitute an integral part of these financial statements.

Annual Separate Statement of Cash Flows for the 12 months ended December 31, 2016

In thousands of Polish Zloty	**Nota**	**12 months ended December 31, 2016**	**12 months ended December 31, 2015**
Cash flows from operating activities			
Profit/loss before tax		46 182	1 226
Adjustments for:			
Amortization		268	173
Interest, net		1 850	(1 898)
Unrealized foreign exchange differences		(585)	305
Change in receivables	8	(17 738)	5 710
Change in other current assets	8	65	(64)
Change in payables and other liabilities	8	4 578	2 100
The result of realized options	9	(35 560)	(12 127)
Income taxes paid		737	(365)
Interest paid	4	(11 666)	(12 025)
Interest received		9 454	10 574
Dividends received from subsidiaries		(21 750)	-
Impairment on investments	9	6 343	323
Other		267	436
Net cash provided by operating activities		**(17 555)**	**(5 632)**
Cash flows from investing activities			
Proceeds from repayment of loan given	3	-	59 430
Expense on loans given		(111)	-
Dividends received from subsidiaries	9	21 750	6 606
Acquisition of subsidiaries, net of cash acquired		(14 834)	(17 918)
Acquisition of property, plant and equipment		(92)	(443)
Net cash used in investing activities		**6 713**	**47 675**
Cash flows from financing activities			
Proceeds from share issuance (employees options)		58 048	19 784
Expense on acquisition of own shares (employees option)		(50 079)	(49 779)
Net cash provided by/(used in) financing activities		**7 969**	**(29 995)**
Net change in cash and cash equivalents		**(2 873)**	**12 048**
Balance sheet in cash and cash equivalents		**(2 873)**	**12 048**
Cash and cash equivalents, beginning of period		**14 012**	**1 964**
Cash and cash equivalents, end of period		**11 139**	**14 012**

The Annual Separate Statement of Cash Flows has to be analyzed jointly with the notes which constitute an integral part of these financial statements.

Annual Separate Statement of Changes in Equity for the 12 months ended December 31, 2016

	Issued capital	Own shares	Reserves	Retained Earnings	**Total Equity**
As at January 1, 2015	**714**	**-**	**779 346**	**31 112**	**811 172**
Comprehensive Income					
Profit for the period	-	-	-	647	**647**
Total Comprehensive Income	**-**	**-**	**-**	**647**	**647**
Change in presentation*					
Change in presentation on the own shares	-	-	(227)	227	-
Separating the result on own shares 2012-2013	-	-	(2 548)	2 548	-
Separation of own shares on January 1, 2015	-	(4 014)	4 014	-	-
Change in presentation of retained earnings	-	-	(21 377)	21 377	-
Change in presentation in total*	**-**	**(4 014)**	**(20 138)**	**24 152**	**-**
Transactions with shareholders					
Change in share option plan for employees	-	-	6 107	-	**6 107**
Transfer of own shares	-	32 581	-	-	**32 581**
Purchase of own shares	-	(49 779)	-	-	**(49 779)**
Total of transactions with shareholders	**-**	**(17 198)**	**6 107**	**-**	**(11 091)**
As at December 31, 2015	**714**	**(21 212)**	**765 315**	**55 911**	**800 728**
As at January 1, 2016	**714**	**(21 212)**	**765 315**	**55 911**	**800 728**
Comprehensive Income					
Profit for the period	-	-	-	45 799	**45 799**
Total Comprehensive Income	**-**	**-**	**-**	**45 799**	**45 799**
Transactions with shareholders					
Change in share option plan for employees	-	-	(20 525)	-	**(20 525)**
Transfer of own shares	-	60 168	-	-	**60 168**
Purchase of own shares	-	(50 079)	-	-	**(50 079)**
Total of transactions with shareholders	**-**	**10 089**	**20 525**	**-**	**(10 436)**
As at December 31, 2016	**714**	**(11 123)**	**744 790**	**101 710**	**836 091**

** Changes in presentation due to the significant increase in transactions concerning shares and other related share option program*

1 Company overview and significant accounting policies

(a) Background

AmRest Holdings SE ("the Company", "AmRest", "Equity holders of the parent") was established in the Netherlands in October 2000 as a joint-stock company. On September 19, 2008, the Commercial Chamber in Amsterdam registered the change in the legal status of the Company to a European Company (Societas Europaea) and of its name to AmRest Holdings SE. On December 22, 2008, the District Court for Wrocław-Fabryczna in Wrocław registered the new registered office of AmRest in the National Court Register. The address of the Company's new registered office is: pl. Grunwaldzki 25-27, Wrocław (50-365), Poland.The Court also registered amendments to the Company's Memorandum of Association related to the transfer of the registered office of AmRest to Poland.

AmRest is the first public company in Poland operating in the form of a European Company. The purpose of transforming AmRest into a European Company was to increase its operating effectiveness and reduce operating and administrative expenses. Following the fact of transfer into European Company and transfer of Company registered head office to Poland, the functional currency of AmRest holdings SE since January 1, 2009 is polish zloty (PLN).

The Company's core activity is direct management of the following entities ("the Group"):

- AmRest Sp. z o.o. (Poland), the entity being a parent in an international group comprising of entities located in Poland, as well as in Russia (OOO AmRest) and USA (AmRest, LLC),
- AmRest s.r.o. (The Czech Republic),
- AmRest EOOD (Bulgaria),
- AmRest Acqusition Subsidiary Inc (USA),
- AmRest HK Limited (China),
- Blue Horizon Hospitality Group PTE Ltd. (China), the entity being a parent in a group, comprising of entities located in China.,
- AmRest FSVC LLC (USA).

The principal activity of the subsidiaries is operating Kentucky Fried Chicken ("KFC"), Pizza Hut, Burger King and Starbucks restaurants through its subsidiaries in Poland, the Czech Republic (further Czech), Hungary, Slovakia, Russia, Serbia, Croatia, Bulgaria, Romania and Spain, on the basis of franchises granted. In Spain, France, Germany and China the Group operates its own brands La Tagliatella, Trastevere and il Pastificio. This business is based on the franchise agreements signed with non related companies and own restaurants. It is supported by the central kitchen which produces and delivers products to the whole network of own brands. Additionally, in China since December 21, 2012 the Group operates its own brands Blue Frog and KABB.

On April 27, 2005, the shares of AmRest Holdings SE were quoted for the first time on the Warsaw Stock Exchange ("GPW").

Before April 27, 2005, the Company's co-shareholders and entities exercising their rights from the shares held in the Company were International Restaurants Investments, LLC ("IRI") with its registered office in the United States of America, and Kentucky Fried Chicken Poland Holdings BV ("KFC BV") with its registered office in the Netherlands. The co-shareholders held 50% shares each and had the same proportion of voting rights before the Company was first quoted on the stock exchange. IRI was a company controlled by American Retail Concepts, Inc. with its registered office in the United States of America ("ARC"), and KFC BV was a company controlled by YUM! Brands, Inc. ("YUM!") with its registered office in the USA.

In connection with the flotation of the Company on GPW, YUM! sold all its shares in the Company and is no more a shareholder or a related entity. Also when the Company was floated on GPW, IRI sold part of the shares held.

On April 22, 2010 share subscription agreement was signed between AmRest Holdings S.E, and WP Holdings VII B.V., following which on May 24, 2010 WP Holdings VII B.V. obtained 4 726 263 shares of the Company from new emission at emission price of PLN 65 for total value of PLN 307.2 million. At June 10, 2010 was registered by the registry court in Wroclaw the increase in the share capital of the Company by the amount of EUR 47 262.63 (PLN 195 374.26). Additionally during 12 months from the date on which the described above emission shares were registered by the registry court proper for the Company's registered office, the WP Holdings VII B.V. will have an option to subscribe for additional shares in up to two instalments to the extent that its shareholding does not exceed 33% of the post-issuance share capital. The issuance price for the additional shares subscription was PLN 75 per share. On March 25, 2011, WP subscribed for 2 271 590 shares with the issuance price of PLN 75 per share. After decrease by all costs concern capital issue the growth was PLN 168 926 thousand.

As at December 31, 2016, FCapital Dutch B.V. was the largest shareholder of AmRest and held 61.85% of its shares and voting rights. The parent entity of the Group on the top level is Grupo Finaccess.

These financial statements were authorized by the Management Board on March 16, 2017.

(b) Representations on compliance of the financial statements with the International Financial Accounting Standards

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union for annual financial reporting, in force as at December 31, 2016.

At the date of the authorisation of these separate financial statements, in light of the current process of IFRS endorsement in the European Union, and taking into account Company's operations there are no discrepancies between the accounting policies adopted by the Company and the standards referred to above. IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB").

- **Defined Benefit Plans: Employee Contributions - Amendments to IAS 19**

  The amendment changes to IAS 19 Employee Contributions was issued in November 2013.
  The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

  Amendments had no significant impact on the consolidated financial statements of Company.

- **IFRS 9 "Financial Instruments"**

  IFRS 9 replaces IAS 39 and will be effective for annual periods beginning on or after 1 January 2018.
  IFRS 9 introduces one model, according to which financial as sets are required to be classified into two measurement categories: those to be measured subsequently at fair value and those to be measured subsequently at amortised cost.
  Classification on initial recognition is driven by the entity's business model for managing the financial assets and the contractual cash flows characteristics. IFRS 9 introduces a new model for the recognition of impairment loss es – the expected credit losses (ECL) model.
  Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
  Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.
  The Company will apply these amendments to IFRS from 1 January 2018.
  The Company considers this change will not have a significant impact on the separate financial statements.

- **Amendments to IFRS 2010-2012**

International Accounting Standards Board has published in December 2013 “Improvements to IFRSs 2010-2012” which amend 7 standards. The amendments include changes in presentation, recognition and valuation and include terminology and editorial changes.

Amendments had no significant impact on the separate financial statements of Company.

- **IFRS 14 “Regulatory Deferral Accounts”**

IFRS 14 is effective for annual periods beginning on or after 1 January 2016 or after that date. This standard allows individuals who produce financial statements in accordance with IFRS for the first time, to the recognition of the amounts resulting from the activities of regulated prices in accordance with the previously applied accounting principles. To improve comparability with units which already apply IFRS and do not show such amounts in accordance with the published IFRS 14, the amounts resulting from the activities of regulated prices, should be subject to the presentation in a separate location, either in the statement of financial position as well as in the income statement and statement of other comprehensive income.
IFRS does not apply to Company.
The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

- **Amendments to IFRS 11 on the purchase of a share in a common activity**

This amendment to IFRS 11 requires the investor when he acquires a share in a common business activity which is as defined in IFRS 3 application to acquire its share of the accounting rules on businesses connections in accordance with IFRS 3 and the rules under other standards, unless they are in contrary to the guidelines contained in IFRS 11.

Amendments had no impact on the separate financial statements of Company.

- **Amendments to IAS 16 and IAS 38 concerning Depreciation**

The amendment clarifies that the use of the depreciation method based on revenues is not appropriate because the revenues generated in the business, which uses data assets also reflect factors other than the consumption of economic benefits from the asset.

Amendments had no impact on the separate financial statements of Company.

- **IFRS 15 "Revenue from Contracts with Customers"**

IFRS 15 was published by the International Accounting Standards Board on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2018 or after that date.
The principles set out in IFRS 15 will apply to all contracts resulting in revenue. The fundamental principle of the new standard is to recognize revenue at the time of the transfer of goods or services to the client, in the amount of the transaction price. Any goods or services sold in packages that can be distinguished in the package, should be recognized separately, moreover, any discounts and rebates on the transaction price should in principle be allocated to the various elements of the package. If the amount of revenue is variable, according to the new standard for the amount of variables are included in the income, if there is a high probability that in the future there will be no reversal of the recognition of income as a result of revaluation. Furthermore, in accordance with IFRS 15 costs incurred to acquire and secure a contract with the customer must be activated and deferred for a period of consumption of the benefits of this contract.
The Company will apply IFRS 15 from 1 January 2018. The Company considers this change will not have a significant impact on the separate financial statements.

- **Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41**

The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

Amendments had no impact on the separate financial statements of Company.

- **Amendments to IAS 27 concerning the equity method in the separate financial statements**

The amendments in IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendments had no impact on the separate financial statements of Company.

- **Amendments to IFRS 10 and IAS 28 concerning sales or transfers of assets between the investor and its associates or joint ventures**

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss, considering the interests of other investors, is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.
The amendments were published on 11 September 2014 and will be effective for annual periods beginning on or after a date to be determined by the IASB.

At the date of preparation of these separate financial statements, this change has not yet been approved by the European Union. Company has not yet completed its assessment of the impact of the amendments on separate financial statements.

- **Amendments to IFRS 2012-2014**

International Accounting Standards Board published in September 2014 “Improvements to IFRSs 2012-2014”, that change four standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are effective for annual periods beginning on or after 1 January 2016.

Amendments had no impact on the separate financial statements of Company.

- **Amendments to IAS 1**

In December 2014 in result of the works on so-called initiative on disclosure, the International Accounting Standards Board an amendment to IAS 1 issued. The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The revised IAS 1 explained that the items presented in the statement of financial position and statement of results and other comprehensive income may be aggregated or disaggregated according to their relevance. It also introduced additional guidance relating to the presentation of subtotals in these statements.

Amendments had no significant impact on the separate financial statements of Company.

- **IFRS 16 “Leases”**

IFRS 16 “Leases” was issued on January 13, 2016 and is effective for annual periods beginning on or after 1 January 2019.
The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a

term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company will apply the change accordingly to IASB resolutions.
The Company is currently assessing the impact of the amendments on its financial statements. Taking into considaration large scale and value of signed lease agreements, the Company expects a significant impact of the implementation of standard on the separate financial statements.
At the date of preparation of these separate financial statements, this standard has not yet been approved by the European Union.

- **Recognition of Deferred Tax Assets for Unrealised Losses - amendments to IAS 12**

The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.
The amendments are effective for annual periods beginning on or after 1 January 2017.
At the date of preparation of these separate financial statements, this change has not yet been approved by the European Union. Company will apply those amendments once endorsed by EU. The Company considers thses amendments will not have a significant impact on the separate financial statements.

- **Disclosure Initiative - Amendments to IAS 7**

Amendments to IAS 7 are effective for annual periods beginning on or after 1 January 2017. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.
At the ate of preparation of these separate financial statements, this change has not yet been approved by the European Union. Company will apply those amendments once endorsed by EU. The Company considers thses amendments will not have a significant impact on the separate financial statements.

- **Amendments to IFRS 2 Share-based Payment – classification and valuation of share based payments**

Amendments were issued on 20 June 2016 and are effective for annual periods beginning on or after 1 January 2018. The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety.
Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.
At the date of preparation of these separate financial statements, these amendments have not yet been approved by the European Union. Company will apply those amendments once endorsed by EU. Company has not yet completed its assessment of the impact of the amendments on separate financial statements.

- **Amendments to IFRS 4- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**

  The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the IASB is developing for IFRS 4. The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility in insurance sector.

  At the ate of preparation of these separate financial statements, this change has not yet been approved by the European Union. Company will apply those amendments once endorsed by EU. The Company considers those amendments will not have a significant impact on the separate financial statements.

- **Annual Improvements to IFRSs 2014-2016 cycle**

  Amendments were issued on 8 December 2016 and impact three standards IFRS 12, IFRS 1 and IAS 28. The amendments include claryficationad and changes to the scope, valuation, recognition of standards and editorial improvements.

  At the date of preparation of these separate financial statements, these amendments have not yet been approved by the European Union. Company will apply those amendments once endorsed by EU. Company has not yet completed its assessment of the impact of the amendments on separate financial statements.

- **Amendments to IAS 40 Transfers of Investment Property**

  The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction. Changes are effective for annual periods beginning on or after 1 January 2018.

  At the date of preparation of these separate financial statements, these amendments have not yet been approved by the European Union. Company will apply those amendments once endorsed by EU. Company has not yet completed its assessment of the impact of the amendments on separate financial statements.

- **IFRIC 22 - Foreign Currency Transactions and Advance Consideration**

  The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Interpretation applies for annual periods beginning on or after 1 January 2018.

  At the date of preparation of these separate financial statements, these amendments have not yet been approved by the European Union. Company will apply those amendments once endorsed by EU. Company has not yet completed its assessment of the impact of the amendments on separate financial statements.

(c) Basis of preparation of financial statements

Because of the fact that Company has moved its seat to Poland financial statements was prepared in polish zloty (PLN), after rounding to full thousands (TPLN).

The Company prepares separate financial statements of the Group for which it acts as a parent. The consolidated and separate financial statements have to be analyzed jointly in order to vies a full picture of the Company's financial.

The financial statements were prepared on the historical cost excluding valuation of derivative instruments and investment properties to their fair value.

The preparation of the IFRS financial statements requires the Management of the Company to make certain assumptions and estimates which are reflected in the accounting policy and that affect the reported amounts of assets and liabilities and reported revenues and expenses during the period. The results of the estimates and the respective assumptions being the result of experience and various factors deemed to be justified in given circumstances are the basis for assessing the values of assets or liabilities which do not result directly from other sources. The actual financial results may differ from the adopted estimates.

The estimates and the assumptions on which they are based are subject to current verification. The adjustment of accounting estimates is recognized in the period in which it was made, on condition that it only relates to that period, or in the period in which it was made, and in future periods, if it relates both to the current and future periods.

The accounting policies described above have been applied consistently in all the financial years covered by the separate financial statements, except for those instances were changes were made in connection to new standards and interpretations were applied

(d) Going concern assumption

Information presented below should be read together with information provided in Note 12 and 16, describing accordingly: contingencies, and significant post balance sheet events after December 31, 2016.

Annual separate financial statements for the period of 12 months ended December 31, 2016 were prepared in accordance with going concern assumption by the Entity in foreseeable future, what assumes realization of assets and liabilities throughout the normal terms of business operations. Annual separate financial statements does not account for adjustments, which would be essential in such events. As at the date of annual separate financial statements issuance in assessment made by Management Board Entity there are no circumstances indicating threats for business going concern of the Entity and any related party in AmRest Group as well.

(e) Property, plant and equipment

Property, plant and equipment owned by the Company

The initial value of the property, plant and equipment is recognized in the books of account at historical cost net of accumulated depreciation and potential impairment. The initial value of the property, plant and equipment manufactured internally covers the cost of materials, direct labour, and – if material – the initial estimate of the cost of disassembly and removal of the assets and of bringing the location to the condition it had been in before the lease agreement was signed.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds from sale with carrying amounts and recognized in the income statement under „Gains/losses on disposal of property, plant and equipment".

(f) Intangible assets

Computer software

Acquired licenses for computer software are capitalized on the basis of costs incurred to acquire and prepare specific software for use. These costs are amortized on the basis of the expected useful lives.

Amortization

Intangible assets are amortized on a straight-line basis over the expected useful life of the assets if it is determined. Goodwill and other intangible assets whose expected useful lives cannot be specified are assessed annually for potential impairment and are not amortized. Other intangible assets are amortized as of the date of their availability for use.

The expected useful lives of assets are as follows:

- Computer software 3 -5 years

(g) Financial assets – investments in subsidiaries

Investments in subsidiaries

Investments in subsidiaries are valued at cost, net of impairment losses.

The value of shares is further adjusted by the amount of the costs arising from the share option plan (options granted to employees of subsidiaries).

Other than investments in subsidiaries the Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity assets, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and reviews this designation at every balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories described below. The Entity does not maintain any investments classified as available-for-sale financial assets as at the end of each of the periods covered by these separate financial statements.

Financial assets at fair value profit or loss

This category has two sub-categories: 'financial assets held for trading', and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date. The Company does not maintain any investments classified as financial assets at fair value through profit or loss as at the end of each of the periods covered by these financial statements.

Financial assets held to maturity

This category covers financial assets which the Management Board decided would be maintained to maturity upon inception. Financial assets held to maturity are stated at amortized cost. The carrying amount of investments measured at adjusted purchase price (amortized cost) and is calculated as the amount due on maturity net of all non-amortized initial discounts or premiums.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. They are carried at amortized cost less impairment losses and are classified as 'trade and other receivables' in the balance sheet for maturities not greater than 12 months after the balance sheet date (see note (h) of accounting policies below).

Regular investment purchase and sale transactions are recognized as at the transaction date – the date on which the Company commits to purchase or sell a given asset. Investments are initially recognized at fair value plus transaction costs. This relates to all financial assets not measured at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and the transaction costs are recognized in the income statement. Financial assets recognized at fair value through profit or loss are derecognized when the rights to receive cash flows from the financial assets have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at adjusted purchase price (amortized cost using the effective interest method).

(h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognized initially at fair value and subsequently measured at amortized cost less impairment losses.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(j) Impairment

As at each balance sheet date the Company verifies the carrying amount of assets other than inventories and deferred income tax assets, to determine whether the assets do not show signs of impairment. If there are signs of impairment, the recoverable value of the assets is determined. In respect of assets whose economic useful life is not determined and assets which were not commissioned for use, and goodwill, the recoverable amount is determined as at each balance sheet date. Impairment write-downs are recognized in the books of account in the event that the present value of an asset or a group of assets generating specific cash flows exceeds their recoverable value. Impairment losses are recognized in the income statement.

Impairment write-downs of trade and other receivables are recognized when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. If there is such evidence, the impairment write-downs recognized in amortized cost of the receivables are determined as the difference between the value of the assets following from the books of account as at the measurement date and the present value of the expected future cash flows discounted using the effective interest rate of the financial instrument. Impairment losses are recognized in the income statement.

Impairment on the investments in subsidiaries is recognized to the recoverable amount if the recoverable amount of these assets is lower than their book value. When tasting for impairment of investments in subsidiaries the Entity measures the value in use of an asset by determining the current present value of the estimated future cash flow expected to be derived from the continued use of these assets and their disposal at the end of useful life period. Value of the future cash flows is based on the most recent and approved by Management Board budget, which covers the period of following 5 years, while data for the period beyond the period covered by the most recent budget by extrapolating the projections using a steady growth rate at the level of 3%. A cash-generating unit is a separate subsidiary running business activity.

The recoverable amount of the remaining assets is estimated at the higher of the fair value net of costs to sell and the value in use. Value in use is deemed to be the sum of discounted future cash flows which will be generated from the asset using the market discount rate before tax reflecting the time value of money and the risks characteristic for the given asset. If it is not possible to determine the future cash flows from a given asset, for the purpose of determining the value in use, a group of assets which includes the given asset, which generate specific cash flows, are taken into account. In such events, groups of cash-generating assets are deemed to be single restaurants. In case of Spain, the Company, due to ongoing integration, treats as cash-generating assets following operating activities: operating franchised KFC restaurants, operating proprietary brands restaurants and franchise and other activity.

Reversal of impairment write-downs

Impairment write-downs in respect of receivables recognized at amortized cost are reversed if the later increase in their recoverable value may be objectively attributed to an event which arose after the impairment was recognized.

Impairment write-downs in respect of goodwill cannot be reversed. In respect of other assets, impairment write-downs are reversible if there are premises indicating that the impairment has ceased to exist or decreased. Reversal of impairment should be made if estimates used to determine the recoverable value are changed.

Impairment write-downs are reversed only to the extent to which the carrying amount of an asset does not exceed the carrying amount it would be recognized at, net of depreciation, had the impairment not been recognized.

revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(k) Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

The supplementary capital comprises of:

- surpluses between income from share issue and nominal value of issued shares, less costs of issue,
- costs of employee benefits and share option plans.

(l) Financial liabilities - interest bearing loans and borrowings and bonds obligations

Interest-bearing loans and borrowings as well as bonds obligations are recognized initially at cost being their fair value, less attributable transaction costs. In subsequent periods, borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings using the effective interest rate method.

If the loan is settled before the maturity date, any difference between the settled cost and the current cost is recognized in the income statement.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The zero coupons bonds obligations are classified as non-current liabilities if the maturity date is equal greater than 12 months after the balance sheet date.

(m) Employee benefits

Share-based compensation

The Company, having no own employees, provides two equity-settled, share-based compensation plans for the key employees of AmRest Group (see Note 6). The fair value of work performed by the employees for a consideration payable in options increases costs. The total amount which has to be taken to the income statements over the vesting period is based on the fair value of options received. As at each balance-sheet date entity verifies its estimates connected with number of options expected to vest. The impact of the potential verification of initial estimates is recognized by the Group in the income statement, in correspondence with equity. The proceeds from the exercise of options (net of transaction costs directly related to the exercise) are recognized in share capital (at nominal value) and in supplementary capital, in share premium.

For share-based payment transactions in which the terms of the arrangement provide either the entity / the Company or the counterparty with the choice of whether the entity settles the transaction in cash or by issuing equity instruments, the entity / the Company shall account for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the entity has incurred a liability to settle in cash, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

In 2014 the share-based payment plans (plan 2) were modified so that it may be settled in cash instead of shares. As a result the group re-measures the liability at the date of change using the modification date fair value of the equity-settled award or the present value of the future cash outflows, based on the elapsed portion of the vesting period.

The subsequent settlement of the liability follows the requirements for a cash-settled share-based payment.

The Company incurred a liability measured at fair value, taking into account the period of service / vesting period, and any changes in value are recognized in investments at the end of the period.

At the date of settlement, the Company shall remeasure 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 will reduce the entirely recognised liability; Any equity component previously recognised will remain within equity, but it could be reclassified to other components of equity;
- if the settlement is in shares, the balance of the liability is transferred to equity, being consideration for the shares granted. Any equity component previously recognised shall remain within equity.

(n) Trade and other payables

They are recognized initially at fair value and subsequently measured at amortized cost.

(o) Currency and exchange differences

Entity presented its annual separate financial statements in Polish zloty. Transactions denominated in foreign currencies are translated into the functional currency at the rate prevailing as at the transaction date. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated into Polish zloty at the rate prevailing as at that date. Foreign exchange differences arising as a result of translating the transactions denominated in foreign currencies into Polish zloty were recognized in the income statement, except incomes and losses concern hedging instrument, which constitutes effective hedge presented directly in other comprehensive income. Non-monetary assets and liabilities stated at historical cost and denominated in foreign currencies are translated using the exchange rate as of the transaction date.

(p) Income tax expense

The income tax shown in the income statement comprises the current and deferred portion. The current portion of the income tax includes tax calculated on the basis of the taxable income for the current period using the income tax rates which have been enacted or substantially enacted as at the balance sheet date, and adjustments of the income tax liability from prior years.

Income tax expense is recognized in the income statement, with the exception of transactions accounted for in equity, in respect of which the tax is also recognized directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arose in respect of the initial recognition of an asset or liability under a transaction other than a business combination which has no impact on the profit/loss for accounting or tax purposes, it is not recognized. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax is not recognized upon the initial recognition of goodwill.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(r) Other operating income and expenses

Other operating income and expenses include recurrent, indirect revenue and costs related only to the actual operational business of the Company (ie. core, statutory activities). This kind of business include among others: revenue resulting from re-invoicing of costs of realized share options to the related entities, cost of impaired assets, cost of issued own shares, results on fixed assets disposed.

(s) Financial cost and income

Financial costs and income include any benefits incurred from the possession, lending or sales of the financial assets to third parties (dividends, interest, discounts, increase in the fair value of the financial assets) and any fees charged by third parties for any monetary assets or any equivalents of the monetary assets borrowed from these

(in PLN thousands unless stated otherwise)

third parties resulting with the recognition of the financial liabilities (interest, provisions, discounts) as well as the loss resulting from the recognition of the decrease in the fair value of the financial assets.
Financial income and costs include also balance of positive and negative foreign exchange differences, both recognized in the repayments of the foreign currency liabilities as well as the valuation of the foreign currency assets and liabilities, excluding foreign exchange differences impacting the purchase price of the produced assets they relate to.

2 Investments in subsidiaries

As at each balance sheet date the Company verifies the carrying amount of finance assets (investments in subsidiaries) to determine whether the assets do not show signs of impairment. Impairment on the investments in subsidiaries is recognized to the recoverable amount if the recoverable amount of these assets is lower than their book value. When book value of the investment is lower than net assets of the Company, Company prepare analysis to identify needs of adjustment valuation of the investments of subsidiaries.

Company evaluates external and internal factors which can influence financial results of subsidiaries (e.g. evaluation of execution planed budgets for the year).What is more Company evaluates micro- and macro-economic factors including currency fluctuations and cost of capital in the markets in which subsidiaries operates.

Impairment of the investments in subsidiaries is determined as the difference between the current present value of these assets from books at the valuation date and present value of expected future cash flows, discounted at the effective interest rate. For such measured value of future discounted cash flows, Company also carried out a sensitivity analysis of the impact of changes in the effective interest rate and currency fluctuations. The value of assets is updated only when the loss of value of the investment is permanent and irreversible in long term.

As at December 31, 2016, Company carried test for entities: Blue Horizon Hospitality Group PTE Ltd. and AmRest EOOD. There were no conditions for testing of shares in other companies. According to the assumptions mentioned above, Company did not carry test for AmRest Sp. z o.o.

	Chiny	Bulgaria
	2016	
Discount rate before tax	11,12%	9,48%
Budgeted average EBITDA margin	11,69%	10,00%
Expected long-term growth rate used for the calculation of planned future results	17,70%	25,31%

If discount rates in period of 12 months ended December 31, 2016 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

If EBITDA in period of 12 months ended December 31, 2016 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

The discount rate adopted for the calculation is the average cost of capital before tax for the particular currencies.

The table below presents the number and value of the shares owned by the Company in its subsidiaries as at December 31, 2016 and as at December 31, 2015.

	December 31, 2016		**December 31, 2015**	
	Interest ownership	Value of Shares	Interest ownership	Value of Shares
AmRest Sp. z o.o. (Poland)[(a)]	100,00%	590 513	100,00%	591 764
AmRest s.r.o. (Czech Republik)	100,00%	33 573	100,00%	33 573

AmRest Acquisition Subsidiary (USA)	100,00%	146 962	100,00%	146 954
AmRest EOOD (Bulgaria)	100,00%	14 388	100,00%	14 388
AmRest FSVC LLC (b)	100,00%	-	-	1 362
Blue Horizon Hospitality Group PTE Ltd. (Chiny)(d)	67,56%	112 657	62,33%	102 811
Total	**-**	**898 093**	**-**	**890 852**

(a) The value of investment in AmRest Sp. z o.o. was increased by 18 280 TPLN and decreased by 19 530 TPLN by capitalized costs of the share option plan (share options granted to the employees of the subsidiaries).

(b) On January 25,2016 Company took a resolution of increase of share capital in AmRest FSVC LLC in amount of TUSD 60. On February 8, 2016 Company took a resolution of increase of share capital in AmRest FSVC LLC in amount of TUSD 200. On April 18, 2016 Company took a resolution of increase of share capital in AmRest FSVC LLC in amount of TUSD 500. On June 15, 2016 Company took a resolution of increase of share capital in AmRest FSVC LLC in amount of TUSD 165. On August 22, 2016 Company took a resolution of increase of share capital in AmRest FSVC LLC in amount of TUSD 100. On October 4, 2016 Company took a resolution of increase of share capital in AmRest FSVC LLC in amount of TUSD 100. On November 4, 2016 Company took a resolution of increase of share capital in AmRest FSVC LLC in amount of TUSD 100. At the end of the year Company made an impairment on shares in AmRest FSVC LCC in amount of 6 134 TPLN.

(c) On October 14, 2016 Company passed a resolution of purchase share from Coralie Danks in Blue Horizon Hospitality PTE LTD which resulted additional 5.23% of shares.

On February 24, 2017, the resolution about a purchase of Blue Horizon Hospitality Group PTE Ltd shares from minority shareholders was passed. As a result, AmRest Holdings SE purchased 32.44% additional shares and from that date became a sole owner of the company.

3 Other financial assets

As at December 31, 2016 and December 31, 2015, the balances of other financial assets were as follows:

Other long-term financial assets	**December 31, 2016**	**December 31, 2015**
Loans given	174 314	174 200
Total of other long-term financial assets	**174 314**	**174 200**

Other short-term financial assets	**December 31, 2016**	**December 31, 2015**
Loans given	8 963	8 019
Total of other short-term financial assets	**8 963**	**8 019**

(in PLN thousands unless stated otherwise)

The Entity provided subsidiaries with the loans specified as below:

Borrower	- AmRest Sp. z o.o.
Maximum loan amount	- 350 000 thousands PLN
Interest rate	- 3M WIBOR + margin

The loan agreement was signed on October 18, 2010. In accordance with the agreement the interest will be paid on the quarterly basis. The change of the compound interest rate will be executed on the first day of each quarter. The principal amount of the loan with all accrued interest will be repaid till December 31, 2018. In 2016 AmRest Sp. z o.o. didn't repaid the loan. The balance at the end of December 2016 is 174 200 TPLN.

Borrower	- AmRest HK Ltd.
Loan amount	- 1 000 thousands USD
Interest rate	- 3M LIBOR + margin

The loan agreement was signed on November 19, 2012. By December 31, 2016 the principal amount of the loan with all accrued interest was not repaid. The company recognized an impairment at the end of the 2015 in the value of the loan including accrued interest. The company recognized an impairment at the end of the 2016 in the value of accrued interest in 2016.

Borrower	- AmRest HK Ltd.
Loan amount	- 210 thousands USD
Interest rate	- 3M LIBOR + margin

The loan agreement was signed on September 5, 2013. By December 31, 2016 the principal amount of the loan with all accrued interest was not repaid. The company recognized an impairment at the end of the 2015 in the value of the loan including accrued interest. The company recognized an impairment at the end of the 2016 in the value of accrued interest in 2016.

Borrower	- Blue Horizon Hospitality Group PTE LTD
Loan amount	- 1 085 thousands USD
Interest rate	- fixed

The loan agreement was signed on June 24, 2014. In accordance with the agreement the interest will be calculated and paid on a quarterly basis till 25-th day of the last month of the quarter. The principal amount of the loan was to be paid back till Jun 24, 2015.

By December 31, 2016 the principal amount of the loan with all accrued interest was not repaid.

Borrower	- Blue Horizon Hospitality Group PTE LTD
Loan amount	- 844 thousands USD
Interest rate	- fixed

The loan agreement was signed on March 25, 2015.In accordance with the agreement the interest will be calculated and paid on a quarterly basis till 25-th day of the last month of the quarter. The principal amount of the loan will be repaid till March 25, 2016. By December 31, 2016 the principal amount of the loan with all accrued interest was not repaid.

(in PLN thousands unless stated otherwise)

The table below presents the change of loan value during the twelve months period ended December 31, 2016:

As at January 1, 2016	**182 219**
Including:	
Short – term loans	**8 019**
Long – term loans	**174 200**
Change of loan value during the twelve months period ended December 31, 2016:	
Loans granted (sett-off-agreement)	111
Interest accrued	9 741
Loan repayment	(9 088)
Impairment of loans	(224)
WHT Tax	(67)
Exchange rate differences (financial income)	585
As at December 31, 2016	**182 277**
Including:	
Short – term loans	**8 963**
Long – term loans	**174 314**

Loans are not secured. The fair value of the loans presented above does not differ significantly from its carrying value.

4 Liabilities

Liabilities to third parties

On December 7, 2009 AmRest Holdings SE signed with RBS Bank (Polska) S.A. and Bank Pekao S.A. agreement for bonds issuance (“5years bonds”), on the basis of which was released option program for corporate bonds of AmRest, allowing to issue 15 000 bonds in total nominal value of PLN 150 million. Agreement was signed for agreed period till July 9, 2015 with period extension options till repayment of all issued bonds.

On August 22, 2012 AmRest Holdings SE signed with RBS Bank (Polska) SA and Bank Pekao SA an agreement for bonds issuance (“5years bonds”), on the basis of which was released option program for corporate bonds of AmRest.

On June 18, 2013 bonds in the amount of PLN 140 million were issued under the new agreement. The issue is part of a plan to diversify financing sources of AmRest. Bonds are issued with variable interest rate 6M WIBOR increased by a margin and are due on June 30, 2018. Interest is paid on semi-annual basis (June 30 and December 30), beginning December 30 2013. Group is required to maintain certain financial ratios (net debt/EBITDA, equity/total assets, EBITDA/interest charge) at levels agreed in the Emission Terms dated June 18, 2013 (accordingly: <3.5; >3.5; >0.3). There are no additional securities on the bond issue.

On September 10th 2014 AmRest made an early redemption of bonds for the total value of PLN 131,5m. At the same time, AmRest issued 14 000 bonds in the total nominal value of PLN 140m with maturity date September 10th 2019. The bonds have a variable interest rate of 6M WIBOR increased by margin. The interest is paid semi-annually (on June 30th and December 30th). Group is required to maintain certain financial ratios (net debt/EBITDA, equity/total assets, EBITDA/interest charge) at levels agreed in the Emission Terms dated September 10, 2014 (accordingly: <3.5; >3.5; >0.3). There are no additional securities on the bond issue.

(in PLN thousands unless stated otherwise)

On December 30th AmRest made a redemption of bonds that reached maturity date on Dec 30th 2014 with the face value of PLN 18,5m. At the end of 2014 AmRest has two bond issues outstanding: PLN 140m with maturity date June 30th 2018 and PLN 140m maturing on Sept 10th 2019.

As at December, 31 2016 the payables concerning bonds issued are PLN 279 491 thousand.

The bonds were issued to finance the investment activities of the Group.

The table below presents the change of borrowings value during the twelve months period ended December 31, 2016:

As at January 1, 2016	**279 157**
Including:	-
Short – term	
Long – term	**279 157**
Change of borrowing value during the twelve months period ended December 31, 2016:	
Issuing bonds costs	326
Discount	11 674
Interest paid	(11 666)
As at December 31, 2016	**279 491**
Including:	
Short – term	**8**
Long – term	**279 483**

On September 10, 2013 a Credit Agreement („the Agreement”) between AmRest Holdings SE, AmRest Sp. z o.o.(„AmRest Poland”) and AmRest s.r.o. – jointly „the Borrowers” and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Rabobank Polska S.A. (Currently BGŻ S.A.) and ING Bank Śląski Polska S.A. – jointly „the Lenders” was signed. AmRest Poland and AmRest Czech are 100% subsidiaries of AmRest.

On May 6, 2016 an Annex to the Agreement was signed introducing an amended and restated version of the credit agreement („the Amended Agreement”).

Based on the Amended Agreement, the Lenders granted the Borrowers an additional credit tranche in the amount of EUR 50 million and increase revolving credit tranche by PLN 100 million.

Based on the Agreement the Lenders granted to the Borrowers a credit facility in the approximated amount of EUR 250 million. All Borrowers bear joint liability for any obligations resulting from the Agreement.

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.

5 Trade and other receivables

As at December 31, 2016 and December 31, 2015 Company has receivables of following characteristics:

Receivables descriptions	December 31, 2016	December 31, 2015
Receivables from related party – AmRest Sp. z o.o. cash pooling	21 640	2 743

(in PLN thousands unless stated otherwise)

Receivables from re-invoicing SOP/MIP – AmRest s.r.o.	-	563
Receivables from re-invoicing SOP/MIP – AmRest Sp. z o.o.	18 216	13 377
Receivables from re-invoicing SOP/MIP – OOO AmRest	-	12
Receivables from re-invoicing SOP/MIP – AmRest GmbH	-	11
Receivables from re-invoicing SOP/MIP – Restauravia Food	2	-
Receivables from related party employees related to the share option plan	2 615	6
Tax receivables	81	744
Other receivables	-	6
Total of receivables	**42 554**	**17 462**

6 Employee benefits and share option plans

As at December 31, 2016 and December 31, 2015 Company has trade and other payables of following characteristics:

Payables descriptions	**December 31, 2016**	**December 31, 2015**
Liabilities for accounting services, Legal – AmRest Sp. z o.o.	44	10
Liabilities for the management services – AmRest LLC	93	87
Liabilities resolution of the capital increase – AmRest HK Limited	102	-
Liabilities to third parties	5 609	989
Other Liabilities	2 070	2 313
Total of receivables	**7 918**	**3 399**

Employee share option plan 2

In April 2005, the Group implemented another Employee Option Plan which is share-based, thinking of its selected employees. The whole number of shares which are attributed to the options is determined by the Management Board, however, it may not exceed 3% of all the outstanding shares. Moreover, the number of shares purchased by employees through exercising options is limited to 200 000 per annum. In accordance with the provisions of the Plan, the Group, following approval by the Management Board, is entitled to determine, apart from other issues, the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price will be in principle equal to the market price of the Company's shares as at the date of awarding the option, and the vesting period will be 3 to 5 years. The Employee Option Plan was approved by the Company's Management Board and the General Shareholders' Meeting.

In January 2010, Supervisory Board of Group parent entity approved resolution confirming and systemizing total amount of shares for which may be issued options that will not exceed allowed 3% of shares in market.

In June 2011, Supervisory Board of Group parent entity approved and changed the prevoius note related to the number of shares purchased by employees through exercising options is limited to 100 000 per annum.

In November 2014, Supervisory Board of Group parent entity approved and changed wording of regulations by adding net cash settlement of option value. Change this resulted in recognition of employee options cash liability in the value of PLN 11.255 thousands as at December 31, 2016 according to policy. As at December 31, 2015 liablity was recognised in the value of PLN 21.629 thousands.

Employee share option plan 3

(in PLN thousands unless stated otherwise)

In December, 2011, the Group implemented further Employee Option Plan which is share-based, thinking of its selected employees. The whole number of shares which are attributed to the options is determined by the Supervisory Board, however, it may not exceed 1 041 000 shares. In accordance with the provisions of the Plan, the Supervisory Board of Group, on request of the Management Board, is entitled to determine, apart from other issues, the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price will be in principle equal to the market price of the Company's shares as at the date of preceding the day of awarding the option, and the vesting period will be 3 years. The option exercise price will increase by 11% each year. The Employee Option Plan was approved by the Company's Supervisory Board.

As at December 31, 2016 PLN 7.399 thousands of liabilities were presented in supplementary capital according to policy.

Value of liability for Employee share option plan as at December 31,2016 and December 31, 2015 was presented below:

	31.12.2016	**31.12.2015**
Liability for Employee share option plan 2	11 255	21 629
	11 255	**21 629**

The terms and conditions for the share options awarded to employees are presented in the table below:

Award date	Number of share options awarded	Terms and conditions for exercising the options	Option exercise price in PLN	Options term to maturity period
Plan 2				
30 April 2005	79.300	5 years, gradually, 20% per annum	24.0	10 years
30 April 2006	75.000	5 years, gradually, 20% per annum	48.4	10 years
30 April 2007	89.150	5 years, gradually, 20% per annum	96.5	10 years
30 April 2008	105.250	5 years, gradually, 20% per annum	86.0	10 years
12 June 2008	20.000	5 years, gradually, 20% per annum	72.5	10 years
22 August 2008	1.000	5 years, gradually, 20% per annum	65.4	10 years
30 April 2009	102.370	5 years, gradually, 20% per annum	47.6	10 years
10 May 2009	3.000	5 years, gradually, 20% per annum	73.0	10 years
30 April 2010	119.375	5 years, gradually, 20% per annum	70.0	10 years
30 April 2010	7.975	5 years, gradually, 20% per annum	70.0	10 years
20 June 2011	105.090	5 years, gradually, 20% per annum	78.0	10 years
5 September 2011	1.000	5 years, gradually, 20% per annum	70.6	10 years
30 April 2012	81.500	5 years, gradually, 20% per annum	70.0	10 years
30 April 2013	91.700	5 years, gradually, 20% per annum	81.0	10 years
30 April 2014	79.830	5 years, gradually, 20% per annum	81.0	10 years
9 December 2015	127.865	5 years, gradually, 20% per annum	130.9	10 years
30 June 2016	142.960	5 years, gradually, 20% per annum	223,5	10 years
Total	1.232.365			
Plan 3				
13 December 2011	616.000	3 years, gradually, 33% per annum	61.00	10 years
8 October 2012	259.000	3 years, gradually, 33% per annum	64.89	10 years
16 January 2014	215.000	3 years, gradually, 33% per annum	67.43	10 years
8 July 2014	50.000	3 years, gradually, 33% per annum	61.00	10 years
1 October 2014	90.000	3 years, gradually, 33% per annum	82.10	10 years
30 November 2014	30.000	3 years, gradually, 33% per annum	61.00	10 years
Total	1.260.000			

(in PLN thousands unless stated otherwise)

In the table below we present the number and weighted average of the exercise price of the options from all plans for the twelve-month period ended December 31, 2016 and 2015.

	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2	Number of options Plan 1
	2016			2015			
At the beginning of the period	PLN 67,24	659 999	403 649	PLN 67.24	1 030 000	544 506	-
Utilized during the period	PLN 90,26	(254 997)	(111 575)	PLN 78.84	(260 001)	(241 179)	-
Redeemed during the period	PLN 110,74	-	(9 150)	PLN 65.97	(110 000)	(27 543)	-
Awarded during the period	PLN 223,50	-	142 960	PLN 130.90	-	127 865	-
At the end of the period	PLN 61,38	405 002	425 884	PLN 81.34	659 999	403 649	-
Available for exercising as at the end of the period	PLN 65,34	253 334	97 358	PLN 64.86	476 666	139 455	-

The fair value of the work performed in consideration for the options issued is measured using the fair value of the options awarded. The estimated fair value of the benefits is measured using the trinomial model and a model based on the Monte-Carlo method. One of the input data used in the above model is the term to maturity of the options (10 years). The possibility of early exercising of the option is taken into consideration in the trinomial model.

The fair value of the options as at the moment of awarding was determined on the basis of the following parameters:

Issued in period		Average fair value of option as at the date of award	Average price of share at the date of measurement/award	Average exercise price	Expected fluctuations of share prices (expressed as the weighted average fluctuation in share prices used in the trinomial	Expected term to maturity of the options (expressed as the weighted average period to maturity of the options used in the trinomial model)	Expected dividend (as of 2009)	Risk-free interest rate (based on Treasury bills)
from 1/1/2014 to 31/12/2014	Plan 3	PLN 26.73	PLN 64.65	PLN 64.65	36%	10 years	-	3.50%
from 1/1/2012 to 31/12/2012	Plan 3	PLN 22.57	PLN 61.00	PLN 61.0	38%	10 years	-	5.82%
from 1/1/2011 to 31/12/2011	Plan 3	PLN 25.35	PLN 73.95	PLN 64.89	37%	10 years	-	4.35%
from 1/1/2016 to 31/12/2016		PLN 112,05	PLN 223,50	PLN 223,50	37%	10 years	-	2,23%
from 1/1/2015 to 31/12/2015		PLN 103,98	PLN 195,95	PLN 130,90**	24%	10 years	-	2.37%
from 1/1/2014 to 31/12/2014		PLN 50,87	PLN 81.82	PLN 81.00	36%	10 years	-	3.50%
from 1/1/2013 to 31/12/2013		PLN 41.34	PLN 81.00	PLN 81.00	34%	10 years	-	3.50%
from 1/1/2012 to 31/12/2012		PLN 39.62	PLN 70.00	PLN 70.00	37%	10 years	-	5.36%

(in PLN thousands unless stated otherwise)

from 1/1/2011 to 31/12/2011	Plan 2	PLN 45.97	PLN 78.00	PLN 78.00	37%	10 years	-	5.61%
from 1/1/2010 to 31/12/2010		PLN 42.61	PLN 70.00	PLN 70.00	40%	10 years	-	5.51%
from 1/1/2009 to 31/12/2009		PLN 27.38	PLN 48.32	PLN 48.32	41%	7.6 years	-	5.80%
from 1/1/2008 to 31/12/2008		PLN 29.81	PLN 83.8	PLN 83.8	37%	8.9 years	18.80%	5.80%
from 1/1/2007 to 31/12/2007		PLN 36.09	PLN 96.5	PLN 96.5	33%	9.9 years	18.80%	5.50%
from 1/1/2006 to 31/12/2006		PLN 15.5	PLN 48.3	PLN 48.3	31%	9.9 years	18.80%	4.98%
from 1/1/2005 to 31/12/2005		PLN 8.9	PLN 25.7	PLN 24.0	40%	9.9 years	18.80%	4.50%

* In connection with the fact that before 2006 the Company was not listed on the GPW, the expected fluctuations in the prices of its shares for measuring awards from before 2006 were based on the historical fluctuations of share prices of comparable companies quoted on the GPW (calculated on the basis of the weighted average time to maturity of the options), adjusted by all the expected changes in the future fluctuations of the share prices resulting from published information on the Company. Estimates for awards from 2006 were based on the actual fluctuations in the Company's quoted share prices. High actual fluctuation in share prices is the effect of a significant increase in the Company's share prices from their flotation.

**Option plan grant price are set in April, when market price was in the range of grant price 130 PLN set in 2015. Grant date got postponed due the documentation issues.

Options are awarded after the terms and conditions relating to the period of employment have been met. The Plan does not provide for any additional market conditions on which the exercising of the options would depend.

The costs recognized in connection with the plans relating to share-based payments for the period of twelve months ending on December 31, 2016 and 2015 respectively are presented below:

	December 31, 2016	**December 31, 2015**
Value of employee services	(1 250)	(684)
	(1 250)	**(684)**

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

7 Equity

Share capital

As described in Note 1a, on April 27, 2005, the shares of AmRest Holdings SE commenced trading on the Warsaw Stock Exchange ("WSE") in Warsaw, Poland.

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

As at December 31, 2016, the Company held 21 213 893 issued, fully paid-up shares. The Company's target capital is 500 000 shares. Nominal value of one share is 1 eurocent (0.01 euro).

Pursuant to the information available to the Company, as at the date of release of this annual report, that is March 16, 2017 the following shareholders submitted information on holding directly or indirectly (through subsidiaries) 5% or more of the total vote at the General Shareholders Meeting of AmRest Holdings SE:

(in PLN thousands unless stated otherwise)

Shareholders	Shares amount	Share in Equity%	Shares amount at AGM	Share at AGM%
FCapital Dutch B.V.*	13 121 152	61.85%	13 121 152	61.85%
Nationale-Nederlanden OFE**	2 034 893	9.59%	2 034 893	9.59%
Gosha Holding S.à.r.l.***	1 242 056	5.85%	1 242 056	5.85%
Other shareholders	4 815 792	22.70%	4 815 792	22.70%

* FCapital Dutch B. V. is the dominant entity of FCapital Lux (previously Cullinan S.à.r.l.) (holding 6 394 362 AmRest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finacces SAPI de CV is the directly dominant entity of Finaccess Capital, S.A. de C.V. and a subsidiary of Grupo Far-Luca, S.A. de C.V. The directly dominant person of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González, is the Supervisory Board member of AmRest.

** The previous name: ING OFE

*** Gosha Holding S.à.r.l. is the entity which is connected with Mr Henry McGovern and Mr Steven Kent Winegar, Supervisory Board members of AmRest.

Reserves

Structure of the reserved capital is as follows:

	December 31, 2016	December 31, 2015
Share premium	786 911	786 911
The provision for stock option program 2	14 043	128
The provision for stock option program 3	7 399	12 496
The value of exercised options	(35 158)	(5 815)
Non-refundable capital deposit without additional share issue, made by shareholders of the Entity before entry on GPW	6 191	6 191
Functional currency translation	(31 219)	(31 219)
Net profit for treasury shares for the period 2012-2014	(3 424)	(3 424)
Purchase of treasury shares	(11 123)	(21 212)
Other	47	47
Total supplementary capital	**733 667**	**744 103**

Retained earnings

Retained Earnings of an Entity according to 16th resolution of Annual Shareholders Meeting dated June 10, 2011 includes also reserve fund in value of PLN 50,000 thousands for purchase of treasury shares only for share option redemption to every existing and future employee and managerial motivational stock option plans, including Management Board members of Group entities. In 2016 year (as it was disclosed in statement of changes in equity) were realized transaction on treasury shares for existing stock option plans amounting PLN 10 089 thousand (respectively in 2015 17 198 TPLN).

According to the 5th resolution of Annual Shareholders Meeting dated June 7, 2016. The company decided that the profit for the financial year 2015 in the amount of 647 TPLN will be allocated to increase the Company's supplementary capital. The company decided to presenting in the separate financial statements the results of previous year in retained earnings, which, in accordance with the resolutions of the General Meeting of Shareholders shall be applied to other categories of capital.

8 Cash and cash equivalents

	December, 31 2016	December, 31 2015
Cash at bank	11 139	14 011
Cash in hand	-	1
	11 139	**14 012**

(in PLN thousands unless stated otherwise)

Reconciliation of working capital changes as at December 31, 2016 and December 31, 2015 is presented in the table below:

2016	The balance sheet change	Elimination of settlements of the share option plan for employees	Other liabilities and paid Invoices for intangible assets	Working capital changes
Change in receivables	(25 836)	8 098	-	(17 738)
Change in other assets	65	-	-	65
Change in payables and other liabilities	(5 190)	10 374	(606)	4 578

2015	The balance sheet change	Changing the share option plan for employees	Unpaid invoices for intangible assets	Working capital changes
Change in receivables	(12 629)	18 339	-	5 710
Change in other assets	(64)	-	-	(64)
Change in payables and other liabilities	(11 514)	(13 310)	304	2 100

9 Finance income and expenses and other operating income and expenses

Finance income and expenses

	12 months ended December 31, 2016	**12 months ended December 31, 2015**
Interest income	10 107	11 215
Dividends received	21 750	6 606
Other financial income	13	-
Net exchange rate gains	497	327
Finance income, total	**32 367**	**18 148**
Interest expense	(11 674)	(12 082)
Other	(327)	(632)
Finance expenses, total	**(12 001)**	**(12 714)**

Other operating income and expenses

(in PLN thousands unless stated otherwise)

	12 months ended December 31, 2016	**12 months ended December 31, 2015**
The result on the execution of stock option by employees of subsidiaries*	35 559	12 127
Revenues from re-invoicing	5	1 298
Writs-off	-	96
Other operation incomes	-	-
Other operating income, total	**35 564**	**13 521**
Impairment on loans granted	(224)	(4 444)
Impairment of investments	(6 342)	(323)
Liquidated value of intangible assets	(32)	-
Impairment on receivables	(1 231)	(6 152)
Other operating expenses, total	**(7 829)**	**(10 919)**

** The result on the execution of stock option by employees of subsidiaries consist of the following items:*
- for 2016 years revenue from re-invoicing of services based on own shares to affiliated companies in the amount of TPLN *55.089 thousand. PLN reduced by the amount of* TPLN *19.530 - the value of the costs arising from the share option plan (options granted to employees of subsidiaries).*
- for 2015 years revenue from re-invoicing of services based on own shares to affiliated companies in the amount of TPLN *28.857 thousand. PLN reduced by the amount of TPLN 16.730 - the value for the costs arising from the share option plan (options granted to employees of subsidiaries*

10 Income Tax

	12 months ended December 31, 2016	**12 months ended December 31, 2015**
Corporate income tax - current period	339	523
Change in deferred tax assets/liabilities	45	56
Income tax recognized in the income statement	**383**	**579**

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. After the offset, the following amounts are disclosed in the separate financial statements:

	December 31, 2016	**December 31, 2015**
Deferred tax asset to be recovered within 12 months	229	224
Deferred tax asset:	**229**	**224**

	December 31, 2016	**December 31, 2015**
Deferred tax liabilities to be used within 12 months	601	551
Deferred tax liabilities:	**601**	**551**

Temporary differences after the offset accounted for in the calculation of deferred tax relate to the following items:

(in PLN thousands unless stated otherwise)

	December 31, 2016	December 31, 2015
Intangible assets	22	25
Other financial assets	-	-
Other financial liabilities	579	527
Trade and other payables	(17)	(13)
Tax loss carried forwards	(212)	(221)
Deferred tax asset	**-**	**-**
Deferred tax liabilities	**372**	**327**

As at December 31, 2016, tax loss carried forward are as follows:

	December 31, 2016	December 31, 2015
Tax loss	1 114	1 114
Tax loss, total	**1 114**	**1 114**

11 Related party transaction

As at December 31, 2016 the Group of which the Company is a parent consisted of the following subsidiaries (direct and indirect):

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Inc.	Birkirkara, Malta	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.U	Madrid, Spain	AmRest Sp. z o.o.	100.00%	March 2011
AmRestavia S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
Restauravia Grupo Empresarial S.L.	Madrid, Spain	AmRestavia S.L.U. AmRest TAG S.L.U.	16.52% 83.48%	April 2011
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	100.00%	September 2011
Blue Horizon Hospitality Group PTE Ltd**	Singapore, China	AmRest Holdings SE WT Equities BHHG MJJP	67.56% 14.10% 14.10% 4.24%	December 2012
Bigsky Hospitality Group Ltd	Hong Kong, Chiny	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
New Precision Ltd	Apia, Samoa	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
Horizon Group Consultants (BVI)	Road Town, Tortola, BVI	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012

(in PLN thousands unless stated otherwise)

Company name	**Seat**	**Parent/non-controlling undertaking**	**Owner-ship interest and total vote**	**Date of effective control**
Kai Fu Restaurant Management (Shanghai) Co., Ltd.	Shanghai, China	Blue Frog Food&Beverage Management Ltd	100,00%	December 2016
		Restaurant activity		
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czech	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. Starbucks Coffee International, Inc.	82.00% 18.00%	March 2007
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Petersburg, Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o.o.	0.22% 99.78%	July 2007
AmRest Coffee s.r.o.	Prague, Czech	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest d.o.o.	Belgrad, Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00% 40.00%	October 2007
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
Restauravia Food S.L.U.	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Service S.L.U.	Lleida, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Restaurantes S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
Pastificio S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
AmRest Restaurant Management Co. Ltd	Shanghai, China	AmRest HK Ltd	100.00%	November 2012
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011
AmRest GmbH*	Cologne, Germany	AmRestavia S.L.U.	100.00%	March 2012
AmRest SAS	Lyon, France	AmRestavia 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 Group Consultants (BVI)	100.00%	December 2012
AmRest Skyline GmbH	Cologne, Germany	AmRestavia 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

(in PLN thousands unless stated otherwise)

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
AmRest Coffe S.r.l.	Bucharest, Romania	AmRest Sp. z o.o.	100.00%	June 2015
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.	85.00%	May 2016
		AmRest Capital Zrt	15.00%	
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.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	December 2016
Financial services for the Group				
AmRest Capital Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
AmRest Finance Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o	100.00%	March 2012
La Tagliatella International Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella Financing Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella SAS	Lyon, France	AmRestavia 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
Supply services for restaurants operated by the Group				
SCM Sp. z o.o.	Chotomow, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		R&d Sp. z o.o.	43.80%	
		Beata Cylny	5.00%	
		Zbigniew Cylny	0.20%	
Activita Sp. z o.o.	Warsaw, Poland	SCM Sp. z o.o.	100,00%	October 2014

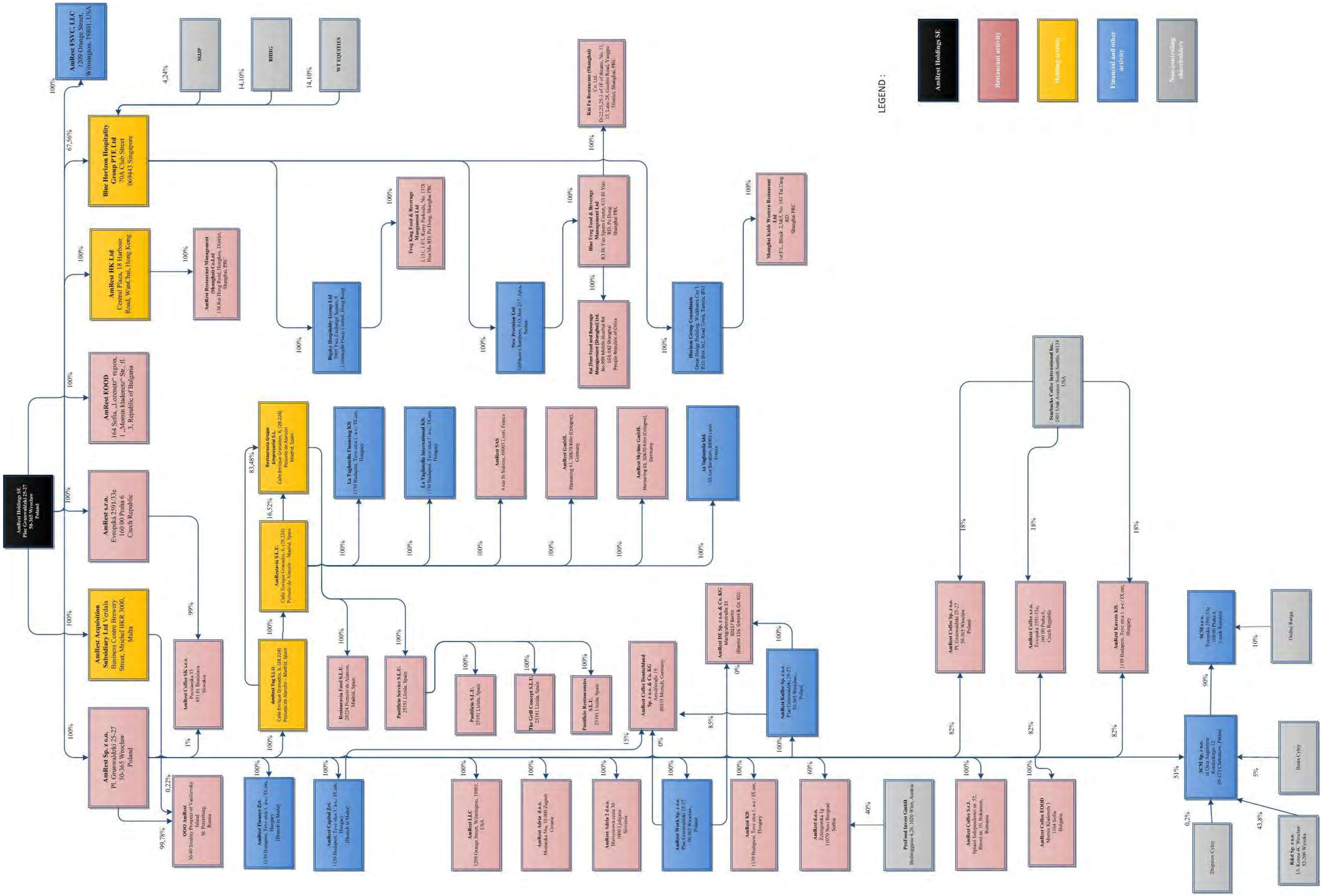
* On November 25, 2016 Amrestavia, S.L.U., the sole shareholder of AmRest GmbH, has decided to liquidate this company.

** On February 24, 2017, the resolution about a purchase of Blue Horizon Hospitality Group PTE Ltd shares from minority shareholders was passed. As a result, AmRest Holdings SE purchased 32.44% additional shares and from that date became a sole owner of the company.

As at December 31, 2016 the Group possess the following associated entities included in the financial statements under the equity method:

Company name	Seat	Core business	Parent/ non-controlling undertaking	Owner-ship interest and total Group vote	Date of acquisition
SCM s.r.o.	Prague, Czech	Delivery services for restaurants provided to the Group	SCM Sp. z o.o.	45.90%	March 2007

The Group's office is in Wroclaw, Poland. At December 31, 2016 the restaurants operated by the Group are located in Poland, the Czech Republic, Hungary, Slovakia, Russia, Bulgaria, Romania, Serbia, Croatia, Spain, Germany, France and China.


AmRest Holdings SE Plac Grunwaldzki 25-27 50-365 Wroclaw Poland
AmRest Sp. z o.o. Pl. Grunwaldzki 25-27 50-365 Wroclaw Poland
AmRest Acquisition Subsidiary Ltd Verdala Business Centre Brewery Street, Mriehel BKR 3000, Malta
AmRest s.r.o. Evropská 2591/33e 160 00 Praha 6 Czech Republic
AmRest EOOD 164 Sofia, „Lozenetz" region, 1 „Momin kladenetz" Str., fl. 3, Republic of Bulgaria
AmRest HK Ltd Central Plaza, 18 Harbour Road, WanChai, Hong Kong
Blue Horizon Hospitality Group PTE Ltd 70A Club Street 069443 Singapore
AmRest FSVC, LLC 1209 Orange Street, Wilmington, 19801, USA
MJJP
BHHG
WT EQUITIES
OOO AmRest
AmRest Coffee SK s.r.o.
AmRest Restaurant Management (Shanghai) Co.Ltd
AmRest Finance Zrt.
AmRest Tag S.L.U.
AmRestavia S.L.U.
Restauravia Grupo Empresarial S.L.
AmRest Capital Zrt.
Restauravia Food S.L.U.
Pastificio Service S.L.U.
Pastificio S.L.U.
The Grill Concept S.L.U.
Pastificio Restaurantes S.L.U.
La Tagliatella Financing Kft.
La Tagliatella International Kft.
AmRest SAS
AmRest GmbH.
AmRest Skyline GmbH.
La Tagliatella SAS
Bigsky Hospitality Group Ltd
Frog King Food & Beverage Management Ltd
New Precision Ltd
Blue Frog Food & Beverage Management Ltd
Kai Zhen Food and Beverage Management (Shanghai) Ltd.
Kai Fu Restaurant (Shanghai) Co. Ltd.
Horizon Group Consultants
Shanghai Kabb Western Restaurant Ltd
AmRest LLC
AmRest Adria d.o.o.
AmRest Adria 2 d.o.o.
AmRest Coffee Deutschland Sp. z o.o. & Co. KG
AmRest Work Sp. z o.o.
AmRest DE Sp. z o.o. & Co. KG
AmRest Kft
AmRest Kaffee Sp. z o.o.
AmRest d.o.o.
ProFood Invest GmbH
AmRest Coffee Sp. z o.o.
AmRest Coffee S.r.l.
AmRest Coffee s.r.o.
Starbucks Coffee International Inc.
AmRest Coffee EOOD
AmRest Kávézó Kft.
SCM Sp. z o.o.
SCM s.r.o.
Zbigniew Cylny
R&d Sp. z o.o.
Beata Cylny
Ondrej Rarga
LEGEND :
AmRest Holdings SE
Restaurant activity
Holding activity
Financial and other activity
Non-controling shareholders

(in PLN thousands unless stated otherwise)

Related party transaction

Trade and other receivables from related entities

	December 31, 2016	December 31, 2015
AmRest s.r.o.	-	563
AmRest Sp. z o.o.	39 856	16 120
Restauravia Food S.L.U.	2	-
OOO AmRest	-	12
AmRest GmbH	-	11
Related party employees.	2 616	6
	42 474	**16 712**

Loans granted to related entities	December 31, 2016	December 31, 2015
AmRest Sp. z o.o.	174 200	174 200
AmRest s.r.o.	-	-
AmRest FSVC LLC	114	-
Blue Horizon Hospitality Group PTE LTD.	8 963	8 019
	183 277	**182 219**

Trade and other payables to related entities

	December 31, 2016	December 31, 2015
AmRest Sp. z o.o.	44	10
AmRest HK Ltd.	102	-
AmRest LLC	93	87
	239	**97**

Other operating income from related entities

	12 months ended December 31, 2016	12 months ended December 31, 2015
AmRest Sp. z o.o.*	32 780	5 802
Frog King & Beverage	-	10
AmRest s.r.o.	440	776
AmRest LLC	1 847	5 128
OOO AmRest	-	12
Blue Horizon Hospitality Group	1	-
AmRest Coffee Sp. z o.o.	396	118
SCM Sp. z o.o.	98	287
La Tagliatella LLC	-	1 375
AmRest GmbH.	-	13
Restauravia Food S.L.U	2	-
	35 564	**13 521**

** Balance of other operating income includes the following items:*
for 2016 years revenue from re-invoicing of services based on treasury shares in the amount of TPLN 52.306 and re-invoicing travel expenses in the amount of 4 PLN reduced by the amount of TPLN 19.530. - the value for the costs arising from the share option plan (options granted to employees of subsidiaries).

for 2015 years revenue from re-invoicing of services based on treasury shares in the amount of TPLN 22.514 and re-invoicing travel expenses in the amount of 18 PLNł reduced by the amount of TPLN 16.730 - the value for the costs arising from the share option plan (options granted to employees of subsidiaries).

(in PLN thousands unless stated otherwise)

Other operating cost – related entities	**12 months ended December 31, 2016**	**12 months ended December 31, 2015**
Frog King & Beverage – impairment	-	(21)
AmRest FSVC LLC	(6 134)	-
AmRest HK Ltd. – impairment	(432)	(4 808)
AmRest LLC - impairment	(1 231)	(6 090)
	(7 797)	**(10 919)**

General and administrative expenses – related entities	**12 months ended December 31, 2016**	**12 months ended December 31, 2015**
AmRest Sp. z o.o.	(64)	(110)
AmRest Coffee Sp. z o.o.	(1)	-
Blue Horizon Hospitality Group	(1)	-
	(66)	**(110)**

Financial income form related entities	**12 months ended December 31, 2016**	**12 months ended December 31, 2015**
AmRest Sp. z o.o. – interest	9 112	9 800
AmRest s.r.o. – interest	-	663
AmRest s.r.o. – dividend	21 750	6 606
AmRest HK Ltd. – interest	224	-
AmRest LLC – valuation	22	436
La Tagliatella LLC – valuation	-	11
AmRest Acquisition Subsidiary – interest, valuation	4	-
AmRest Finance S.L.	13	-
Blue Horizon Hospitality Group PTE LTD – interest, valuation	1 012	1 292
	32 137	**18 808**

Financial cost – related entities	**12 months ended December 31, 2016**	**12 months ended December 31, 2015**
La Tagliatella LLC - valuation	-	(12)
AmRest HK – valuation	-	(33)
Blue Horizon Hospitality Group PTE Ltd. – valuation	-	(2)
AmRest LLC – valuation	-	(410)
	-	**(457)**

Transactions with the management/ Management Board, Supervisory Board

Remuneration of the Management and Supervisory Board

	12 months ended December 31, 2016	**12 months ended December 31, 2015**
Remuneration of the Management and Supervisory Boards paid by the Company's subsidiaries	12 950	9 620

Total remuneration of the Management Board and Supervisory Board	**12 950**	**9 620**

The Group's key employees also participate in an employee share option plan (see note 6). The costs relating to the employee option plan in respect of management amounted to PLN 2.166 thousand and PLN 10.078 thousand respectively in the 12 month period ended December 31, 2016 and 2015.

		For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Number of options awarded		358 420	637 869
Number of available options		305 353	352 115
Fair value of options as at the moment of awarding	PLN	11 954 180	20 176 377

As at December 31, 2016 and as at December 31, 2015 there were no liabilities to former employees.

12 Commitments and contingencies

As at December 31, 2016 the Company didn't have commitments and contingencies.

13 Financial instruments

Fair value estimation

As at financial statement publishing date fair value of financial instruments which are in turnover on active market bases on market quotation. Fair value of financial instruments which aren't in turnover on active market is calculated by using valuation techniques.

The Company uses different methods and assumes assumptions based on market conditions as at each balance sheet date. Fair value of financial assets and investment property available for sale, which aren't in turnover on active market, is calculated with using sector indexes and last available information concerning the investment. Fair value of currency exchange rate option and forwards is calculated based on valuation made by banks which issued the instrument.

The following fair value valuations concerning financial instruments were used by the Company:

- quoted prices (not adjusted) from active markets for the same assets and liabilities (Level 1),
- input data different from quoted prices included in Level 1, which are observed for assets and liabilities directly (as prices) or indirectly (based on prices) (Level 2),
- input data for valuation of assets and liabilities, which don't base on possible to observe market data (input data not observed) (Level 3).

The table below presents financial instruments in the Company, which are not measured at fair value, in their book value and fair value, in division on classes and categories of assets and liabilities:

In thousands of Polish Zloty				31.12.2016		31.12.2015	
Financial instrument	**IAS 39 category**	**Fair value hierachy**	**Notes**	**Fair value**	**Book value**	**Fair value**	**Book value**
Other non-current financial assets	A	3	3	174 314	174 314	174 200	174 200
Other current financial assets	A	*	3	8 963	8 963	8 019	8 019

(in PLN thousands unless stated otherwise)

Trade and other receivables	A	*	5	42 554	42 554	16 718	16 718
Other current assets				79	79	144	144
Cash and cash equivalents	A	*	8	11 139	11 139	14 012	14 012
Non-current bonds liabilities	B	3	4	279 491	279 491	279 157	279 157
Trade and other payables	B	*	6	7 918	7 918	3 399	3 399

A - loans and receivables measured at amortised cost

B - financial liabilities measured at amortised cost

** It is assumed, that fair value almost equals the book value, therefore no fair value measurement techniques have been used to valuation of these items.*

Book values of short-term: receivables, other assets, payables, loans and liabilities are similar to their fair values due to short term capacity. According to the estimations of the Company, fair value of non-current assets and liabilities immaterially differ from their respective book value.
As at December 31, 2016 the Company did not possess financial instruments measured at fair value. As at December 31, 2016 the Group did not recognize the transfers between levels of fair value valuations.

The Company is exposed to a variety of financial risks: market risk (including currency and interest rate risk) and - to a limited extent - credit risk. The risk management program implemented by the Company 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 Company's financial results.

Risk management is carried out based on procedures approved by the Management Board.

Credit risk

Financial instruments that are exposed to the credit risk include cash and cash equivalents, receivables and loans. The Company invests cash and cash equivalents in highly reliable financial institutions. There is no significant concentration of credit risk in respect of trade and other receivables due to their level as at balance sheet date. As at December 31, 2016 maximum amount exposed to credit risk was 225 910 TPLN and consist of the intercompany receivables from loan granted to related party (note 3). As at December 31, 2016, the Company create an impairment on loans and receivables in the amount of 7 797 thousand. PLN

Interest rate risk

The loan granted to the subsidiary (Note 3) was based on a floating interest rate. As at December 31, 2014, the Company did not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The fair value of that instruments, does not differ significantly from its carrying value.

Foreign currency risk

The Company is exposed to the foreign currency risk mainly due to the receivables and payables valuation denominated in currencies other than functional currency of the Company. The exposure to foreign currency cash flow risk is not hedged as there is no impact on cash flows.

Liquidity risk

The Company does not provide any operating activities except of holding activity, which results in no need of constant access to the financing and control over timely liability payments.

For the purpose of financing of investment activities of the Group, the Company issued bonds (Note 4) for the amount of PLN 280 million. Details of this bonds is presented in note 4.

Capital risk

The Entity 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. Financing at the level of 3,5 of yearly EBITDA is treated as acceptable target and safe level of capital risk.

(in PLN thousands unless stated otherwise)

The Entity monitors capital using the gearing ratio. The ratio is calculated as net debt to the value of EBITDA. Net debt is calculated as the sum of borrowings (comprising loans and advances, and finance lease liabilities) net of cash and cash equivalents. EBITDA is calculated as the profit from operations before interest, taxes, depreciation and amortization and impairment.

The gearing ratios at December 31, 2016 and December 31, 2015 were as follows:

	December 31, 2016	December 31, 2015
Bonds obligations and other liabilities	299 367	304 512
Less: cash and cash equivalent	(11 139)	(14 012)
Net debt	288 228	290 500
Total equity	836 091	800 728
Capital involved	1 124 319	1 091 228
Gearing ratio	**26%**	**27%**

Recent volatility in global and country financial markets

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

14 Earnings per share

The basic and diluted earnings per ordinary share for the 12 months ended December 31, 2016 and December 31, 2015 was calculated as follows:

	12 months ended December 31, 2016	12 months ended December 31, 2015
Profit/loss for the period	45 799	647
Weighted average number of ordinary shares in issue	21 213 893	21 213 893
Weighted average number of ordinary shares in issue	21 213 893	21 213 893
Profit/loss per ordinary share		
Basic profit/loss per ordinary share	2,16	0,03
Diluted profit/loss per ordinary share	2,16	0,03

On December 1st, 2014 , expired possibility for AmRest Holdings SE Exec to make capital increases to the amount of EUR 5 thousand the authorized capital (in accordance with paragraph 4.1 of the Articles of Association of the Company) . This law was given the resolutions of the AGM of shareholders No. 13 of June 10th 2011. As at December 31st 2016, the Company is not possible potential issuance of shares for the clearance of the stock option schemes. Settlement of share option plans can be made in the form of shares or cash.

15 Collateral on borrowings

The loans incurred by the Company do not account for collateral set up on fixed assets and other assets owned by the Company. 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 – OOO AmRest, AmRest TAG S.L.U., AmRestavia S.L.U., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U., Pastificio Service S.L.U., AmRest Finance Zrt and AmRest Capital Zrt – granted guarantees 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. September 10th, 2018.

16 Events after the balance sheet date

On January 24, 2017 AmRest Holdings SE was signed a Share Purchase Agreement ("SPA") between AmRest and Top Brands NV ("Seller"). Pursuant to SPA AmRest will acquire 100% shares of Pizza Topco France SAS ("Pizza Topco") at estimated price of ca. EUR 14m (approx. PLN 61m). Final purchase price will be determined as at the day of closing of the transaction. Pizza Topco is the exclusive master franchisee of Pizza Hut Delivery restaurants across France. Currently Pizza Topco operates 123 restaurants, the majority of which are managed by franchisees. The equity restaurants (7 locations) are managed by Pizza Delco France SAS ("Pizza Delco"), a company owned in 100% by Pizza Topco. Both parties intend to close the transaction within couple of months ("Completion"). Completion is contingent upon a number of conditions, such as: standard material adverse change clause ("MAC"), approval from the Supervisory Board of AmRest, signing of a master franchise agreement with YUM! Restaurant Holdings (Pizza Hut brand owner).

On January 31, 2017 Mr. Jacek Trybuchowski resigned from the function of the member of AmRest Management Board, effective February 1st, 2017. The resignation is due to personal reasons. Mr. Trybuchowski served as the Company's Chief Operating Officer.

On March 1, 2017 AmRest Holdings SE announced the completion of the assets sale and transfer agreement (the "APA") between AmRest and Kentucky Fried Chicken (Great Britain) Ltd., German Branch. As a result of the Completion AmRest acquired 15 KFC restaurants operating in the German market. The purchase price amounted to EUR 10.28 million (ca. PLN 44.15 million). All the approvals and conditions the Completion was contingent upon in accordance with the APA have been obtained and fulfilled.

On March 15th, 2017 the Management Board of AmRest Holdings SE informed about signing the Binding Head of Terms ("HoT") determining the key terms and conditions on, and subject to which, KFC France SAS ("KFC France") would be willing to proceed with a potential transaction with AmRest, whereby AmRest would buy 42 equity restaurants run by KFC France in the French market, and the parties would sign a Development Agreement and Standard KFC International Franchise Agreement for each restaurant. The purchase price is subject to the results of a due diligence to be carried out by AmRest. It is the intention of AmRest and KFC France that the final agreements shall be signed no later than April 30th, 2017, and closing of the transaction, including transfer of ownership of KFC Business and payment of the purchase price shall occur no later than June 30th, 2017. If the parties fail to sign the final agreements by August 1st, 2017 the HoT shall terminate immediately, unless otherwise agreed in writing by both parties.

Signatures of Board Members

Drew O'Malley
AmRest Holdings SE
Board Member

Mark Chandler
AmRest Holdings SE
Board Member

Wojciech Mroczyński
AmRest Holdings SE
Board Member

Oksana Staniszewska
AmRest Holdings SE
Board Member

Olgierd Danielewicz
AmRest Holdings SE
Board Member

Wrocław, March 16, 2017

AmRest Holdings SE Group

Independent Registered Auditor's Report

Consolidated Financial Statements

Report on Group's operations

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

For the year from 1 January to 31 December 2016

Content:

Translation note:
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AmRest Holdings SE Group

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

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

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

This report contains 16 consecutively numbered pages and consists of:

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pwc

I. General information about the Group

a. AmRest Holdings Spółka Europejska ("the Parent Company") with its seat in Wroclaw, plac Grunwaldzki 25-27 Street is the parent company of the AmRest Holdings SE Group ("the Group").

b. AmRest Holdings Spółka Europejska ("the Parent Company") was established in the Netherlands in October 2000 as joint-stock company. On 19 September 2008, the Commercial Chamber in Amsterdam registered the change in the legal status of the Parent Company to a European Company (Societas Europeae) and of its name to AmRest Holdings Spółka Europejska. On 22 December 2008, the Parent Company was entered in the Register of Businesses maintained by the District Court for Wrocław-Fabryczna VI Business Department of the National Court Register, with the reference number KRS 0000320252. The Court also registered the changes in the Memorandum of Association of the Parent Company relating to the transfer of the registered office of Parent Company to Poland.

c. On 16 January 2009 the Parent Company was assigned a tax identification number (NIP) 101-00-02-998 for the purpose of making tax settlements. On 5 January 2009 the Parent Company was assigned a REGON number 020891041 for statistical purposes.

d. As at 31 December 2016 and at the report signing date the Parent Company's share capital amounted to EUR 212,138.93 and consisted of 21,213,893 shares, with a nominal value of EUR 0.01 each. Consolidated equity as at 31 December 2016 was positive and amounted to PLN 1,376,610 thousand.

e. As at 31 December 2016 and at the report signing date, the Parent Company's shareholders were:

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

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I. General information about the Group (cont.)

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

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

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

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

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

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

I. General information about the Group (cont.)

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

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

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I. General information about the Group (cont.)

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

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I. General information about the Group (cont.)

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

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I. General information about the Group (cont.)

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

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

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I. General information about the Group (cont.)

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

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

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

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

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

II. Information about the audit

a. The audit of the consolidated financial statements as at and for the year from 1 January to 31 December 2016 was conducted by PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, registered audit company no. 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, the Group's registered auditor Katarzyna Ignaszak (no. 11715).

b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No. 1/02/2015 of the Supervisory Board of AmRest Holdings Spółka Europejska dated February 23, 2015 in accordance with paragraph 12 p.1d of the Parent Company's Memorandum of Association.

c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the entities belonging to the Group within the meaning of art. 56, clauses 2-4 of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2016, item 1000 as amended).

d. The audit was conducted in accordance with an agreement dated June 18, 2015, in the following periods:

- interim audit — from 15 October 2016 to 25 November 2016,
- final audit — from 23 January 2017 to 16 March 2017.

e. An audit was conducted in accordance with International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. The scope of an audit was influenced by an application of materiality. In accordance with these auditing standards, the concept of materiality is applied by the auditor at the planning stage and when conducting the audit as well as to evaluate the effect of misstatements identified and adjusted (if any) on the consolidated financial statements, and to form the opinion in the Independent Registered Auditor's Report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Selected ratios characterizing the Group's financial position and results

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

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

* calculations based on restated data

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

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

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

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

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

- At the end of the financial year, the Group's total assets amounted to PLN 3,440,963 thousand. During the year total assets increased by PLN 591,161 thousand, i.e. by 20.7%, which was mainly a result of acquisition of Starbucks Coffee Deutschland Ltd & Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG). Total value of acquired assets at the acquisition date amounted to PLN 193,032 thousand. This increase was financed mainly by generated net profit of PLN 190,744 thousand, an increase in trade and other accounts payable of PLN 153,155 thousand and an increase in short-term interest-bearing loans and borrowings of PLN 133,837 thousand.

- The gross value of property, plant and equipment at the end of audited financial year amounted to PLN 2,657,573 thousand and comprised mainly of buildings and expenditure on development of restaurants in the amount of PLN 1,540,341 thousand and machinery and equipment in the amount of PLN 815,713 thousand. The increase in the gross value of property, plant and equipment of PLN 528,515 thousand, i.e. 24.8% resulted mainly from opening of 146 new restaurants in 2016 (14 restaurants closed) along with increase of scale of Group operations.

- Goodwill (gross) amounted PLN 770,632 thousand at the end of audited financial year. The increase in goodwill (gross) by PLN 183,879 thousand, i.e. 31.3% was mainly due to initial settlement of acquisition of Starbucks Coffee Deutschland Ltd & Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG).

- The Group's structure of liabilities have changed. The gearing ratio decreased from 61.3% at the end of the previous year to 60.0% at the end of the current year. The average payables turnover ratio did not changed and amounted to 19 days.

- The Group's total revenue from continued operations amounted to PLN 4,207,369 thousand and increased by PLN 868,629 thousand, i.e. by 26.0% compared with the previous year, which resulted from consolidating revenue generated by AmRest Coffee Deutschland acquired in 2016 (PLN 356,998 thousand), as well as from increase of scale of Group operations. Sales revenue comprised revenue from restaurant, franchise and other operations. The highest share in revenue is generated from the Group's main markets, i.e. in countries from Central-Eastern Europe (53.6% of the total revenue) and Western Europe (28.8% of the total revenue).

- The cost of food and materials used was the largest item of operating expenses and amounted to PLN 1,358,580 thousand in the audited year, which constituted 34.5% of operating expenses. The cost of food and materials used has increased by PLN 240,105 thousand, i.e. by 21.5% compared with the previous year, mainly due to increase of scale of Group operations.

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

- Profitability measured with gross profit amounted to 6.2% and was 0.6 percentage point lower than in the previous year. The change in the Group's profitability was primarily due to increase of scale of Group operations and achieving higher cost-effectiveness.

- The Group's liquidity has changed. At the enf of audited year, the current and quick ratios amounted to 0.7 (2015: 0.9) and 0.6 (2015: 0.8) respectively.

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

IV. The independent registered auditor's statements

a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the accounting records and the disclosure of all contingent liabilities and post balance-sheet events which occurred up to the date on which that letter was signed.

b. The scope of the audit was not limited.

c. The calculation of goodwill arising in the audited year and its recognition in the consolidated financial statements complied in all material respects with IFRS as adopted by the European Union.

d. The consolidation of equity items and the determination of minority interests were carried out properly in all material respects.

e. The elimination of mutual balances (receivables and payables) and transactions (revenue and costs) of the consolidated entities were carried out, in all material respects, in accordance with IFRS as adopted by the European Union.

f. The elimination of unrealized gains/losses of consolidated entities included in the book value of assets and in respect of dividend payments was carried out, in all material respects, in accordance with IFRS as adopted by the European Union.

g. The impact of the disposal or partial disposal of shares in subordinated entities was accounted for properly in all material respects, in accordance with IFRS as adopted by the European Union.

h. The consolidation documentation was complete and accurate and it is stored in a manner ensuring proper safeguarding.

i. The consolidated financial statements of the Group as at and for the year ended 31 December 2015 were approved by Resolution No. 4 passed by the General Shareholders' Meeting of the Parent Company on 7 June 2016 and filed with the National Court Register in Wrocław on 1 July 2016.

j. The notes to the consolidated financial statements, which include the introduction and additional notes and explanations present all the significant information in accordance with IFRS as adopted by the European Union.

k. The information in the Report on Group's operations for the year from 1 January to 31 December 2016 has been presented in accordance with the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information to be provided by issuers of securities and conditions for recognizing as equivalent the information required by the provisions of law of a country not being a member state (Journal of Laws of 2014, item 133 as amended) and is consistent with that presented in the consolidated financial statements.

V. Final information

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

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

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

Katarzyna Ignaszak

Group Registered Auditor, Key Registered Auditor
No. 11715

Wrocław, 16 March 2017

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Independent Registered Auditor's Report

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the AmRest Holdings SE Group (hereinafter called "the Group"), having AmRest Holdings Spółka Europejska, plac Grunwaldzki 25-27, Wrocław, as its parent company (hereinafter called "the Parent Company"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated comprehensive income statement, the consolidated statement of changes in equity, the consolidated cash flow statement for the year from 1 January to 31 December 2016 and a summary of significant accounting policies and other explanatory notes.

Management and Supervisory Board's Responsibility

The Parent Company's Management Board is responsible for the preparation of these consolidated financial statements, on the basis of correctly maintained consolidation documentation, and their fair presentation in accordance with the International Financial Reporting Standards as adopted by the European Union and in accordance with the applicable regulations. The Parent Company's Management Board is also responsible for internal controls as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board and Supervisory Board are obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2016, item 1047 as amended).

Auditor's Responsibility

Our responsibility was to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the National Council of Certified Auditors as the National Standards on Audit and Assurance with a resolution dated 10 February 2015. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose

PricewaterhouseCoopers Sp. z o.o., Aquarius Business House, ul. Swobodna 1, 50-088 Wrocław, Polska, T: +48 (71) 366 1200, F: +48 (71) 366 1201, www.pwc.com

PricewaterhouseCoopers Sp. z o.o. is entered into the National Court Register (KRS) maintained by the District Court in Warsaw, with the reference number (KRS) 0000044655, and tax indentification number (NIP) 526-021-02-28. Share capital amounts to PLN 10,363,900. Headquarters in Warsaw, Al. Armii Ludowej 14.

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of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements:

a. give a true and fair view of the Group's financial position as at 31 December 2016 and its financial performance and its cash flows for the year from 1 January to 31 December 2016, in accordance with the International Financial Reporting Standards as adopted by the European Union and the applicable accounting policies;

b. comply in terms of form and content with the applicable laws, including the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions of recognizing as equal information required by the law of other state, which is not a member state ("the Decree" – Journal of Laws of 2014, item 133 as amended);

c. have been prepared on the basis of correctly maintained consolidation documentation.

Report on Other Legal and Regulatory Requirements

Opinion on the Report on the Group's operations

Our opinion on the audit of the consolidated financial statements does not cover the Report on the Group's operations.

The Parent Company's Management Board is responsible for the preparation of the Report on the Group's operations in accordance with the Accounting Act and the Decree. Further, the Management Board and Supervisory Board are obliged to ensure that the Report on the Group's operations meets the requirements of the Accounting Act.

With respect to our audit of the consolidated financial statements, our responsibility was to read the Report on the Group's operations and consider whether the information included in this Report complies with the regulations of article 49 of the Accounting Act and the Decree and is consistent with the information in the related consolidated financial statements. Our responsibility was also to consider, based on the knowledge of the Group and its environment obtained during our audit, whether the Report on the Group's operations does not contain any material misstatements.

In our opinion, the information contained in the Report on the Group's operations for the year from 1 January to 31 December 2016 comply with the requirements of article 49 of the Accounting Act and the Decree and is consistent with the information in the audited consolidated financial statements.

Further, based on the knowledge of the Group and its environment obtained during our audit we have not identified any material misstatements in the Report on the Group's operations.

Independent Registered Auditor's Report (cont.)

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

With respect to our audit of the consolidated financial statements, our responsibility was also to read the Group's Statement of Corporate Governance, which is a separate part of the Report on the Group's operations. In our opinion, the Group included information in accordance with the scope defined in the Decree, and information as indicated in the Decree, complies with the applicable regulations and is consistent with the information contained in the consolidated financial statements.

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

Katarzyna Ignaszak

Key Registered Auditor
No. 11715

Wrocław, 16 March 2017

AmRest Holdings SE

Consolidated Management Board's Report for the year 2016

16 March 2017

Contents

Letter to the shareholders

Dear Shareholders,

We have just closed another very successful year. We are happy to have continued our EBITDA growth ambition of 20%+ and accelerating topline growth. This is very much in line with our 'AmRest 2.0' plans we announced two years ago.

Such a track record of growing performance is rare in general as well as in retail industry globally. While celebrating this success, we are very focused on making sure we can continue this trend in the future. AmRest strong position and reputation as the leading restaurant operator globally is opening-up new opportunities for us.

Last year we have opened 146 new restaurants. This shows a great momentum in our core business and markets. This also makes us already the top restaurant developer in Europe. It is worth noting that such an unprecedented organic growth was seen across our entire portfolio of businesses. This proves that our growth platform is well diversified and healthy. We are particularly happy about the successful development of a new fast casual format of Pizza Hut Express. This, along with our commitment to grow Pizza Hut Delivery business, has resulted in signing a Master Franchise Agreement with Yum! to develop those two formats in CE. Mentioned arrangement is a clear growth milestone for us and is likely to be extended to some other markets in Europe, e.g. France, through our recent acquisition of Pizza Hut Delivery business there.

Speaking about M&A, last year brought two important acquisitions in Germany, i.e. acquiring whole Starbucks business and part of KFC chain. Adding 159 restaurants in Germany made this one of our key markets. Looking at the growth opportunities in Germany as well as the turnaround potential we are very excited about those two additions.

Starbucks acquisition in Germany adds up to a great momentum of this brand in AmRest family. After initial successful launch of the brand in Czech Republic, Poland and Hungary we got a chance to buy a high growth business in Romania, Bulgaria as well as to enter Slovakia through a greenfield investment in 2016. We see similar roll-up potential for both KFC and Pizza Hut across Europe as already evidenced by our acquisitions of KFC Germany and Pizza Hut France.

Our leadership simply brings growth opportunities.

Another important driver of our future growth next to organic development and M&A will be our investment in Digital. Just like many other industries restaurant business is influenced by rapid technological progress enabling new ways of customer interaction. AmRest desires to be at the forefront of those changes by being the leading innovator in Digital. Through our strategic partnerships and new investments, we see enormous potential to make use of best practices in this area.

Last but least, we are committed to continue our efforts in developing our internal talents to make sure we can successfully realize exciting growth opportunities ahead of us. Our Employees have always been a core pillar of AmRest. It is their passion, devotion and positive energy in every day interactions with customers that allowed us grow rapidly. We would like to cordially thank all our Employees for making AmRest a great company.

Management Board of AmRest Holdings SE

1. Selected financial data

DIAGRAM 1: REVENUES IN 2014-2016 (IN PLN'000)

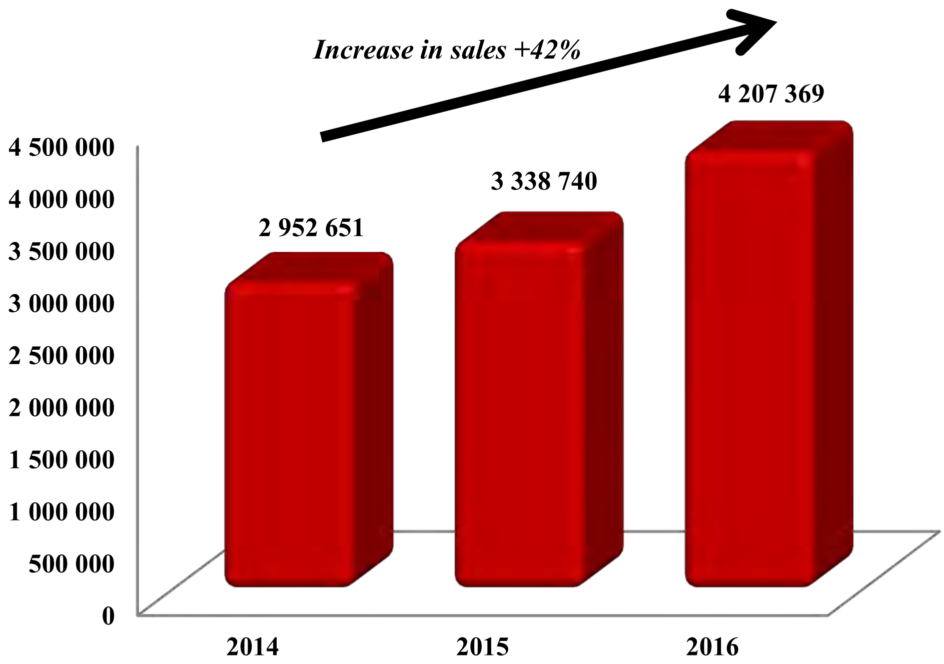


DIAGRAM 2: EBITDA IN 2014-2016 (IN PLN '000)

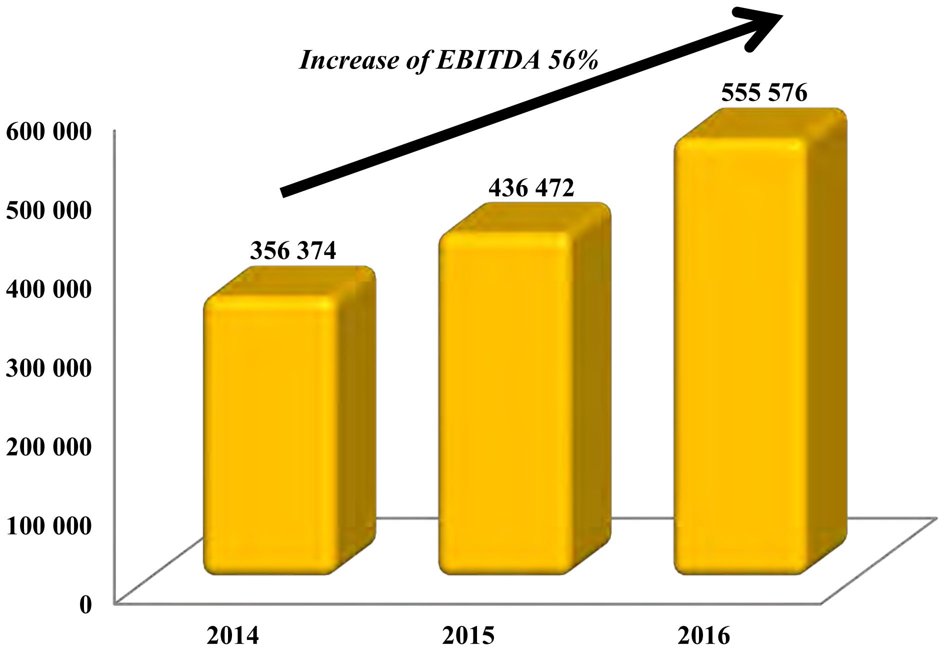
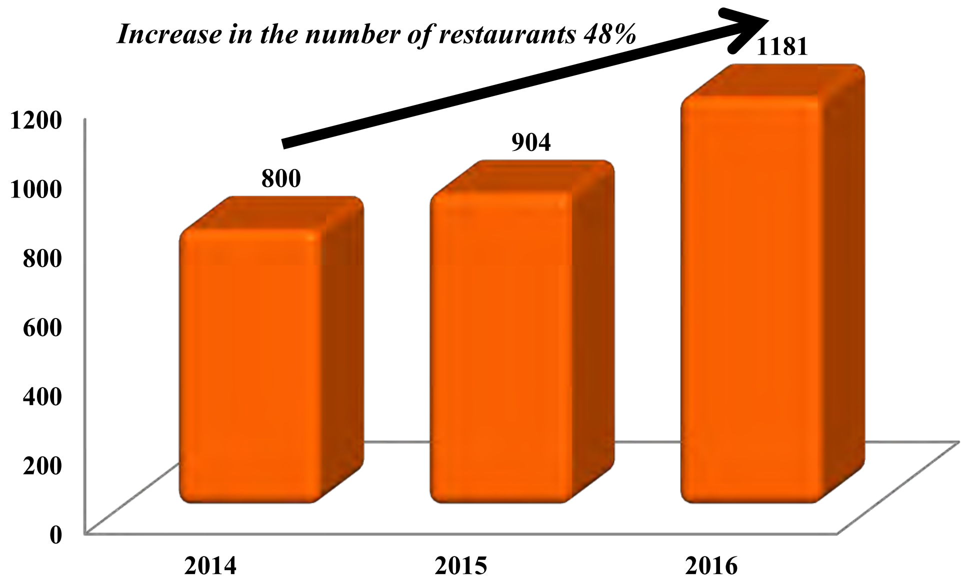
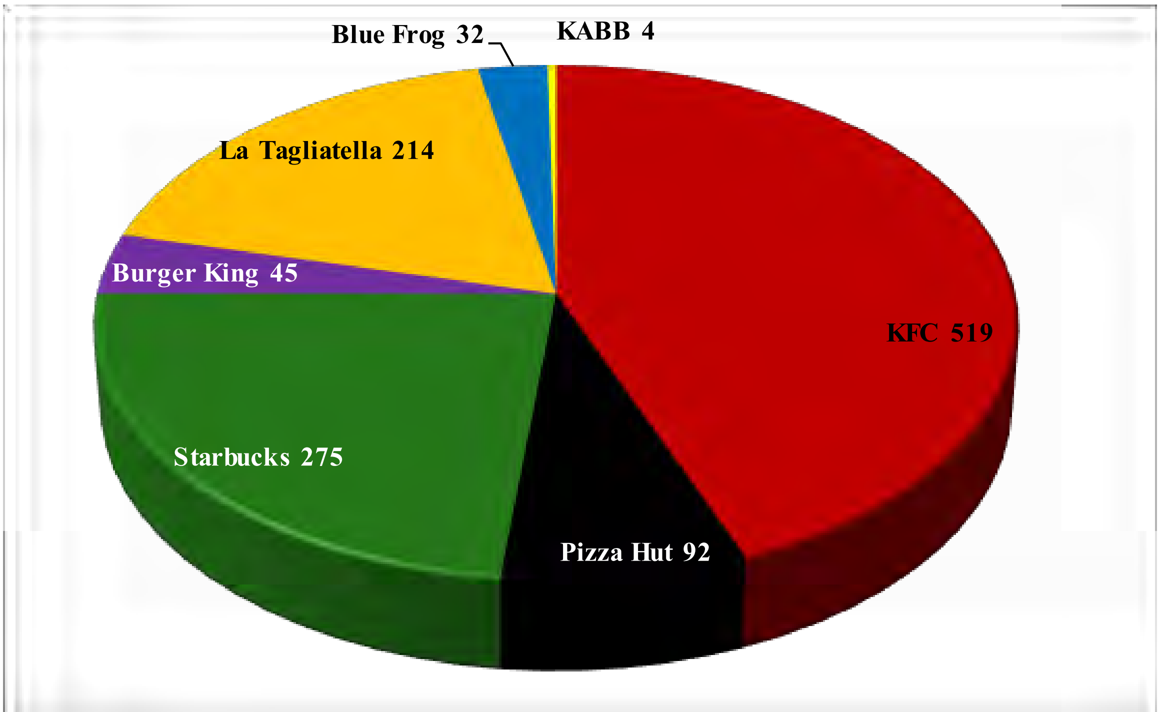


DIAGRAM 3: NUMBER OF AMREST RESTAURANTS IN 2014-2016, BALANCE AS AT 31 DECEMBER 2016



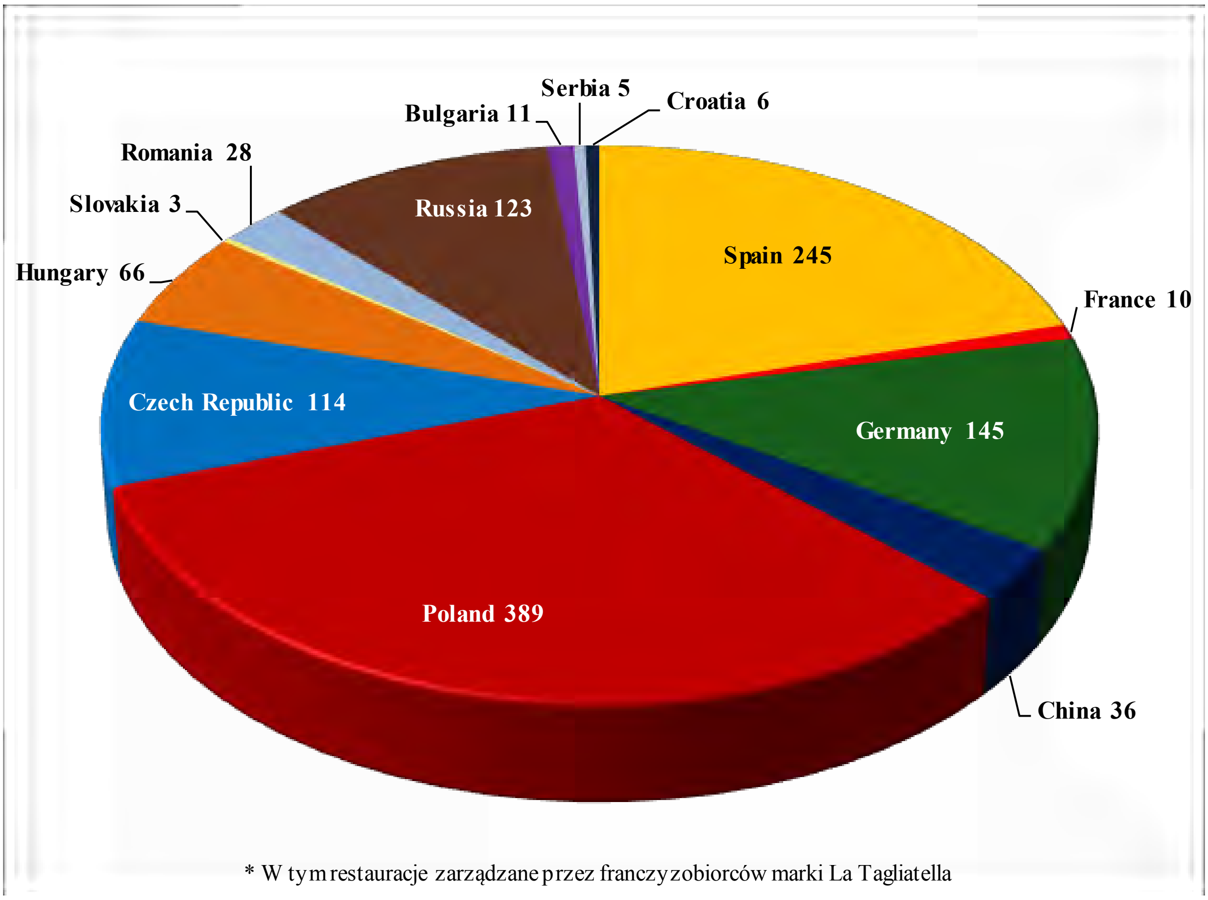
* Including restaurants operated by franchisees of La Tagliatella brand.

DIAGRAM 4: NUMBER OF AMREST RESTAURANTS BY BRAND, BALANCE AS AT 31 DECEMBER 2016



* Including restaurants operated by franchisees of La Tagliatella brand

DIAGRAM 5: NUMBER OF AMREST RESTAURANTS BY COUNTRY, BALANCE AS AT 31 DECEMBER 2016



2. Description of the Company

2.1. Basic services provided by the Group

As at the date of publication of the report, AmRest Holdings SE ("AmRest") manages 7 restaurant brands in 13 countries of Europe and Asia. Every day over 28.5 thousand AmRest employees deliver delicious taste and exceptional service at affordable prices, in accordance with our "Wszystko Jest Możliwe!" ("Everything is possible!") culture.

AmRest manages its restaurants in two restaurant sectors:

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

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

AmRest is a franchisee of Yum! Brands Inc. for the KFC and Pizza Hut brands. Burger King restaurants also operate on a franchise basis following an agreement concluded with Burger King Europe GmbH. Starbucks restaurants in Poland, Czech Republic and Hungary are opened by joint-venture companies AmRest Coffee (82% AmRest and 18% Starbucks), which have the rights and licenses to develop and manage Starbucks restaurants. Starbucks stores in Romania and Bulgaria (acquired from Marinopoulos Coffee SEE B.V. in June 2015), Germany (acquired from Starbucks Coffee EMEA B.V. in May 2016) and in Slovakia are operated by the Company on a franchise basis. The La Tagliatella is the own brand of AmRest which became part of the portfolio in April 2011. La Tagliatella restaurants are operated both by AmRest and by entities which operate restaurants on a franchise basis. The Blue Frog and KABB brands became the property of AmRest in December 2012 as a result of purchase of a majority stake in Blue Horizon Hospitality Group LTD.

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

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

In 2016 KFC restaurants run by AmRest noted a significant increase of sales and profit.

The strong dynamics of growth in Central Europe was maintained for all the year. This growth was a result of a consistent realization of the strategy related to the improvement of a general image of the restaurants, numerous innovations concerning the products and strengthening the position in a home delivery channel. KFC introduced new offers in the "value" segment maintaining attractive prices in this category. A wide offer of promotional products in the „premium" category (burgers) and buckets (a bucket for one person) which are traditional for KFC introduced for a limited period was worth noticing. Additionally an offer of ice-cream desserts – Shake De Lux was introduced on a few markets what was very positively received by the guests of the restaurants. The costs of labour increased on majority of markets in Central Europe and according to the experts' opinions this trend can be maintained in the nearest years. At the same time a visible improvement in the remaining cost areas was observed what allowed to improve the margin significantly so it exceeded the initial assumptions.

The results on the Russian market were very good in 2016 despite the demanding macroeconomic situation in this country. Thanks to the consistently executed strategy of building the brand's strategy, product innovations

and the offer in the „value" segment, the income in comparable restaurants noted a strong one digit increase in 2016. Despite of inflation pressure and a negative influence of currency conversions on the results, the brand managed to achieve the margins which are close to the planned ones for 2016. In 2017 further works aiming at strengthening of the KFC in Russia, mainly thanks to active cooperation with the suppliers and operational improvements are planned. Openings of next restaurants in selectively chosen locations are also planned.

KFC restaurants operating in Spain starting the second quarter of 2016 noted a positive trend in the number of customers' visits. Introducing the "value segment" contributed to it as it was very positively received by the market. Strengthening this offer and introducing product innovations aiming at further increase of the frequency of the visits in the restaurants is planned in 2017. In following years the Company will be continuing the development of KFC chain in Spain mainly based on free standing restaurants.

In 2016 "home delivery" channel gained more importance. At the end of the year almost half of the restaurants in Poland provided this service. The customers besides the traditional way of ordering on the phone very willingly use both a modern website and a phone application. It is worth noticing that ordering via electronic way is related to a special opportunity of customization of one of the KFC flag ship products – a Bucket. Last year also some KFC restaurants in Czech, Serbia and Bulgaria introduced the service of home delivery.

Last year AmRest opened a record number of 56 new KFC restaurants (in total in Central Europe, Russia and Spain) at the same time it renovated almost 70 already existing ones. Especially in Spain and Hungary a dynamic increase of new openings was observed. Newly opened and renovated restaurants in Central Europe are characterized by new design which is deeply rooted in the values and the history of the brand. "Open kitchen", thanks to which the guests can see in what way the delicious KFC chicken is prepared, became a special element of the design of KFC restaurants. In each restaurant there is also information about local origin of the chicken meat and about the name of the person who plays the role of the chef. In increasing number of KFC in Central Europe the point of ordering is separated from the point of receiving the order what improves the quality and the speed of service and also facilitates more personalized contact with guests. Also in Spain and Russia the design of KFC restaurants is successively changed based on local needs and conditions.

Last year was another one when KFC brand was in the group of the best employers in a retail sector in Central Europe. Among others the „Able in AmRest" initiative related to employment of the disabled and the wide opportunity of career development in AmRest contributed to this fact. KFC brand is still involved in actions related to social responsibility on all the markets.

On the day of the report the Company runs 519 KFC restaurants - 222 in Poland, 78 in Czech, 115 in Russia, 45 in Hungary, 43 in Spain, 15 in Germany, 6 in Croatia, 5 in Serbia and 5 in Bulgaria.

Founded in 1954, the Burger King brand is the world's second largest fast food burger restaurant chain measured by the total number of restaurants. The Burger King brand is present in over than 100 countries operating over 15 700 restaurants and serving over 11 million guests on a daily basis. Burger King restaurants are quick service restaurants that feature flame-grilled burgers, chicken and other specialty sandwiches, French fries, soft drinks, and other affordably priced food items.

2016 was another record breaking year for Burger King at AmRest. The brand managed to increase the same store traffic (SST) as well as the value of average guest check (AGC). This confirmed the positive market trend set in the two previous years. The main highlight of the financial results was the profitability reached in all the countries that the Burger King brand is operated by AmRest. The major breakthrough was reached on the Czech market sending a clear signal to further focus on the development in that market.

A strong emphasis was put on operational excellence. In Poland, the Czech Republic, and Bulgaria Burger King managed to increase its guest satisfaction thanks to a new service vision training program. This was equally highlighted by an external audit result confirming rising operational capability of the brand in all of three markets. AmRest team is particularly proud of the Brno (Czech city) restaurant receiving the best result in any Burger King restaurant in Central Europe.

A noticeable improvement in the guest experience was brought by implementing the Prime design concept – a fusion of handcrafted feeling, cheerful graphics, bold color palette and American prints. All the new openings will already reflect the Prime design concept and existing restaurants will be gradually refurbished as well. Burger King portfolio was joined by a new restaurant at Polish A1 motorway followed by the Kielce Echo shopping mall and Warsaw Wola Park shopping center. An important milestone was reached on the Czech market with the opening of the Burger King Kladno restaurant, being the first expansion on the market since 2012.

These positive results were also reached thanks to the increased brand awareness on the Polish, Czech, and Bulgarian market. Burger King is an increasingly attractive brand for restaurant guests in the QSR segment. According to the latest Brand Observer report the spontaneous brand recognition went up.

The year commenced with a successful introduction of a TV commercial on the Polish market. It was very well received by guest community which was reflected in the financial results. On the Czech market, the brand pioneered paid YouTube commercials bringing over 1.000.000 views. In alignment with the other brands of AmRest, Burger King launched an intuitive mobile application in all three markets, offering its guests an overview of brand locations and offerings as well as access to attractive coupons, some of which were exclusively offered in the application.

During Q1 Burger King took part in a global marketing initiative launching the Angriest Whopper made of a uniquely hot red bun. The use of the colored bun made the brand a significant market innovator. The offer in the Czech market was enriched by introducing a breakfast menu that brought more guests during the morning hours.

The brand remains committed to the “better burger” strategy which considerably distinguishes it from the competition. Burger King offers flame grilled meat as well as the chance for its guests to taste a truly premium ingredient – angus meat. In addition to the permanent AngusXT burger offer, angus meat is a frequent addition to limited time offers. The one that was received the best was American Street Food menu - heritage American burgers adapted to the modern taste.

Burger King SST result rose thanks to the presence of value offers in all the markets. Kurak’s (burger with chicken) return was the most successful product on the Polish market – bringing back three kinds of Kurak for PLN 3.50. On the Czech and Bulgarian markets the brand initiated two strategic discount promotions – making the BigKing or 9 Nuggets available for a particularly affordable price. All these promotions were massively communicated on TV, outdoor, indoor, and through digital campaigns.

Having delivered convincing financial results in 2016, the brand shows growing importance of Burger King in the AmRest portfolio and its readiness to further growth. Furthermore, the restaurants will enhance the customer experience by redesign according to the Prime design model, continuing guest care and commitment to premium products living up to the “Have it your way” spirit of the brand.

At the date of publication of this report AmRest operates 45 Burger King restaurants – 36 in Poland, 8 in the Czech Republic, and 1 in Bulgaria.

Starbucks is the world leader in the coffee sector with more than 24 000 stores in over 70 countries. It offers a broad selection of coffees from different parts of the world, as well as teas, soft drinks and a wide range of fresh food, snacks and desserts. AmRest Coffee (a joint venture between Starbucks Coffee International and AmRest Sp. z o.o.) currently operates Starbucks stores in Poland, Czech Republic and Hungary. The restaurants in Romania, Bulgaria, Slovakia and Germany are 100% owned and operated by AmRest.

2016 was a historical year for Starbucks business under AmRest operation. In late May, the Company acquired master rights to the German market alongside with 144 stores. Approximately at the same time, AmRest opened its first store in Bratislava, Slovakia adding another country to its operations. At the end of the year, there were 3 stores in Bratislava and the market was positive in cash after 6 months of operations.

The German market is a great investment into the future. With 144 stores, the country is far from saturated. Starbucks has brand recognition and a good position to expand its operations. In the next 3-5 years, AmRest plans to double the number of stores in the market. Having said that, the first years focus is on business consolidation, transition and integration to AmRest operating systems. So far, the management team has been strengthened with key positions, Partners (employees) are being trained in new operating systems and a significant investment is being done to the IT infrastructure. All of this is being done with the intention of increasing efficiency of operations, quality of work environment of the Partners and of course better and faster service for the Customers.

The Romanian and Bulgarian markets are in the final stages of integration. All systems have been changed. Both markets performed very well in 2016, with special focus on Romania. The country expanded with 9 new stores, ending the year with 28 units.

Czech Republic and Hungary have had also a very strong year that saw growth in LFL sales driven by transactions and average guest check. Great flow through on both markets significantly increased the EBITDA margin.

Poland observed a stable growth driven by transactions. The average check was flat, but that was in part caused by growth in sales generated by the loyalty program My Starbucks Rewards users. The program will see new countries this year with Romania and Hungary joining into the scheme. Building loyalty and affinity with the customers will continue to be one of the brands goals in the coming years.

2016 also brought a great development on the beverage side. In the summer the brand launched “Teavana Shaken Iced teas” which were an immediate success. The brand continues to have great success with the cold beverage platform. Frappuccino’s continue to be the main driver of income during the summer season. “Cold Brew” was another innovation launched this summer in all countries. In the autumn “Teavana” hot teas were introduced and the success of Pumpkin Spice Latte and Ginger Bread Latte was continued. The brand continues to be the leading innovator in beverages in the world.

Looking into brand strategy the main areas of focus in the coming year will be strengthening the Loyalty program in all countries, focus on supply chain to deliver efficiencies and benefits from synergies for the markets as well as development and recruitment of top talent to support the growing business.

The brand will continue expanding its presence within the operating countries increasing the amount of new openings between 40-60 units in 2017. 20 of those are planned in Germany.

At the date of publication of this report AmRest operates 272 Starbucks cafes (140 stores in Germany, 52 in Poland, 28 in the Czech Republic, 16 in Hungary, 28 in Romania, 5 in Bulgaria and 3 in Slovakia).

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

The first La Tagliatella restaurant was opened in 2003 in the small Spanish town of Reus. Since then, through opening of both equity and franchised restaurants, the brand has developed into a recognized, rapidly growing chain with well-established leadership position in the Italian Casual Dining segment in Spain.

2016 has been of special relevance for La Tagliatella as on 1st of December the brand saw the opening of restaurant number 200 in Spain. This has been a key milestone for the business and a big celebration for all the employees, that actively participated in a Mannequin Challenge under the claim "We are 200 but we don't stay still". The challenge was recorded across the system in restaurants, central kitchen in Lleida and headquarters in Madrid with huge involvement and excitement of whole La Tagliatella team.

2015 was already a record year in number of openings, but during 2016 La Tagliatella managed to repeat this achievement with a total number of 24 new restaurants across the Spanish geography, strengthening its leadership position in regions such as Levante or Andalucia. Likewise, with these openings La Tagliatella has incorporated several changes in the design and decoration of its restaurants, offering an updated image, and yet coherent with the heritage of the brand.

La Tagliatella continues to outperform its competitors not only in Italian segment but also in the Casual Dining category. With the milestone achievement of 600,000 fans on Facebook the brand earned its leadership also in the digital field.

The success and dynamism of La Tagliatella digital campaigns are a referent within the market achieving the highest engagement and interaction rate of the segment.

Latest success in this area has been "Fan Pizza", signature social media campaign that year after year grows in participation and that after 4 years has managed to repeat success with almost 20,000 different recipes proposed by the brand fans.

At the beginning of 2017 La Tagliatella has implemented across equity and franchised restaurants the "Amici Program". This is a signature loyalty program build to emphasize the brand foundations by offering Italian gourmet products to customers. Up to date the scheme gained almost 100,000 "Amici" members.

Continuous product innovation is also a key differentiator of our brand and during 2016 it was reinforced with the introduction of salad "Cremoso di Rulo di Capra" with goat cheese mousse and pasta "Vongole Veraci" with clams and Prosecco based sauce. As an additional milestone, the manufacturing area of the Central Kitchen was renovated, what allowed to increase its production capacity by 33%. This increase was well balanced over all the main product lines and therefore ensures the vertical integration model and satisfies the needs of supplying the rapidly growing business.

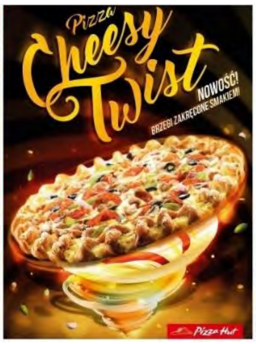
In international markets, it is worth to mention the good performance of Germany that continues its steady growth.

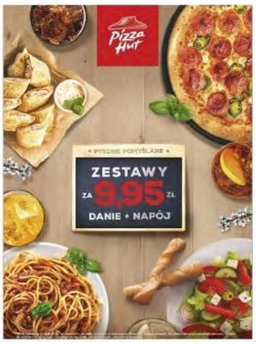
As at the publication date the portfolio of La Tagliatella consisted of 214 restaurants – 203 in Spain, 9 in France and 2 in Germany.

Pizza Hut is one of the biggest restaurant chain in the world. The brand is rooted in the United States. Inspired by Mediterranean cuisine it promotes the idea of a pleasant way of spending time among family and friends. It is also the biggest brand in Poland in the aspect of the sales level and the number of Guests in the casual dining segment. The strong position of Pizza Hut is maintained thanks to the „One Brand Three Channels" strategy and strengthening the position of an expert in pizza in all consumer occasions. Year 2016 was another very successful period for Pizza Hut operation. Besides the development of the brand in „casual dining segment" it also brought the rise of the two remaining channels of sales - Pizza Hut Delivery and Pizza Hut Express.

Traditionally the year commenced with a Pizza Festival which took place in the Pizza Hut restaurants already the seventh time. This offer, so expected by customers, allowed them to unlimitedly devour various flavors and formats of pizza served on four kinds of dough at an attractive price. The seventh edition of the Festival enjoyed a record popularity and attracted many new guests to the restaurants. The offer was promoted on TV and the Internet. An additional mechanism was used in the promotional campaign the aim of which was to attract bigger groups of customers to the restaurant – the guests who came in the group of at least four persons and ordered the Festival offer got the beverages for free. This solution had a big influence on the increase of the average check and made the Guests spend their time in larger groups of friends and acquaintances.

Spring and summer in Pizza Hut is, as every year, is a period of introducing „lighter" propositions of dishes, attractive value offer and refreshing beverages. In 2016 new products in the categories of pizza, soup and lemonade and the bestsellers in the price of 19,95 PLN appeared. All the propositions were prepared from fresh seasonal components. This offer, especially appreciated by women, influenced positively the number of transactions registered in the restaurants of the brand.





At the end of July a new version of a „My Pizza Hut" loyalty program - an innovative tool building the involvement of customers in the operations of the brand and supporting the increase of the number of their visits in the restaurants in long perspective was introduced. From the very beginning the program enjoyed a great interest of the guests who registering the visits in Pizza Hut on their account get invitations to unique events such as pre-premiere dinners (tasting the novelties form the menu) or rewards. The guests collecting the points enjoy additional benefits in the menu card and have the opportunity of taking the offers which are adjusted to their individual needs. Already over 100 thousand customers joined the program taking advantage of its benefits.

In autumn and winter a new season menu which combined new interesting flavor combinations and at the same time being a value offer appeared. For example the combination of goat cheese and a beetroot, warming up cheeses, spicy combinations of paprika and peperoni or seasonal freshly prepared soups can be given as examples.

Pizza Hut after 20 years of building the brand in Poland in Casual Dining segment in 2016 started to develop intensively 2 new channels of sales: Express (pizza prepared during 5 minutes in front of the customers eyes) and Delivery (pizza home delivery), responding to the changing trends on the market and one of the presently most important needs of consumers – „convenience".

Pizza Hut Express is the concept enabling the customers eating their favorite pizza on the way home, to work or during shopping. The restaurants aren't large, easily accessible in shopping malls, is city centers and the locations convenient for business lunch. In 2016 10 further Express restaurants were opened in Poland among others in Warsaw, Wrocław and Three-City and 2 restaurants in Hungary in Budapest. In this concept the process of pizza preparation from fresh ingredients takes less than five minutes and can be observed by the customers. It is possible thanks to limiting the menu and applying a special kind of stove adjusted to fast baking. The unique technology related to the product and operational discipline allows to promote the concept with the slogan: "We make fresh pizza during 5 minutes". In the offer there are 5 the most popular pizza flavors from Pizza Hut restaurant menu served on a traditional dough also with the option of cheese in the crust. More and more often the customers use the option of composing their pizza from the ingredients they choose.

The development of Pizza Hut Delivery is a response of the brand to the growing trend of ordering meals to home by the customers who don't like cooking or don't have time to do this. Pizza delivery earlier took place in parts of Warsaw, Wrocław, Szczecin and Leszno. In 2016 the delivery became possible in new areas of the listed cities and was introduced among others to Kraków and Poznań. Building sales of this concept is supported by actions of the dedicated marketing calendar (taking into account product innovations) and the events favoring pizza consumption at home, the biggest of which was Euro 2016. Especially for football fans supporter's sets were introduced which were especially adjusted for the character of the event – group of friends watching matches.

Additionally to guarantee an easy access to ordering Pizza Hut introduced in March a new version of the online ordering platform and in June a modern mobile application. The success of this tool is proved by its week by week growing popularity - at the end of the year the application generated already 25% of all the transactions in the Delivery channel.

At the date of publication of this report Pizza Hut runs 92 restaurants - 79 in Poland, 8 in Russia and 5 in Hungary. In 2017 further dynamic growth of the brand on European markets both within the „casual dining" concept and a new Express format and home delivery channel is planned pursuant to the agreement of August 2016 regarding the expansion of the brand in the countries of Central and Eastern Europe: Poland, the Czech Republic, Hungary, Bulgaria, Serbia, Croatia, Slovakia and Slovenia..

blue frog 蓝蛙 bar & grill

KABB BISTRO BAR 凯博西餐酒吧

Acquisition of the Blue Horizon Hospitality Group in 2012 enriched AmRest's casual dining portfolio with two brands operating in China:

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

2016 was the 4th year of AmRest presence in China - a year of further scale and operating systems development as well as leadership changes and first signs of planned Blue Frog European expansion.

Chinese economy continued to create number of challenges like varying guests sentiments, stock market fluctuations but - from the positive side - the restaurant segment was supported with favorable regulatory adjustments concerning the VAT changes which had influenced significantly China division 2016 results. Outlook for the future is even more optimistic as China plans in coming years to open across the country about 1200 new shopping malls, upgrade of 7 airports to international hubs and population of cities is expected to grow 9% annually. Potential for further AmRest expansion is continuously getting its scale.

There were 3 main strategic directions of China division development in 2016 – further integration with European business of AmRest, strengthening customer offer, brand position, geographical reach and penetration and finally establishing solid processes and systems' based platform for even faster and profitable expansion. In all three AmRest noted significant improvements.

Cross country know-how transfer and people exchange in 2016 reinforced the spirit of unity and allowed for bolder steps and plans - like new central kitchen project kick-off, IT systems improvement or people development programs and tools launching. Q4 brought changes on the country management level, which already show positive impact on the speed and flexibility of the business development.

Restaurants' portfolio was enriched by 8 new venues - strengthening Blue Frog's position mainly in Shanghai but also entering one new city, Hangzhou, which is famous for its sightseeing attractions. In June AmRest opened flagship Blue Frog restaurant at Shanghai Disney Resort. 7 million of tourists have visited this entertainment park in first 6 months of operations. With new parts of park planned to be open in next 3 years the Company expect even stronger performance from this restaurant. AmRest China continued to focus on first tier (largest) cities but is also ready to speed up test with less populous cities (1-8 million inhabitants).

Moving from middle size operator to large restaurant chain requires developing and launching of top class processes – products sourcing, logistics, training, technical infrastructure or efficient and flexible central kitchen. In all of them AmRest noted great improvements giving excellent prospects for further, faster expansion.

Blue Frog Chinese expansion and improving performance supported by new design and décor, innovative menu and excellent service standards provoked Company to consider transfer of this unique concept to Europe. Central kitchen model is already well known to the Company and developed by AmRest in the Spanish La Tagliatella, which is among the top performing restaurant chains in Europe. This, in combination with increasing demand across Europe for more "slower" dining experience and more sophisticated menu choice with reasonable price levels, allows for conscious planning of Blue Frog expansion also in Europe. The first European Blue Frog restaurant is going to be opened in the middle of 2017 in Madrid. The next step will be to launch the concept later this year in Poland.

As at the publication date, AmRest owned 33 Blue Frog Bar & Grill and 4 Kabb Bistro Bar restaurants in China.

3. Structure of revenues

Revenues of AmRest Group amounted to PLN 4 207m in 2016, growing by 26% over the year (PLN +869m). Dynamic growth was mainly supported by:

- maintained strong sales trends in comparable restaurants (LFL) on key markets of Central Europe (CE) and Spain. In particular brands, double-digit growth was observed,
- significantly increased pace of organic growth. In 2016 AmRest opened 146 new restaurants (vs 99 in 2015),
- stable growth of revenues in Russia (positive LFL trends and new openings),
- consolidation of revenues of acquired Starbucks chains (Romania and Bulgaria since mid-2015, Germany mid-2016).

TABLE 1. AMREST GROUP'S SALES BY DIVISION

Divisions	2016		2015	
	PLN '000	share %	PLN '000	share %
Central and Eastern Europe (CE)	2 254 327	53.6%	1 951 413	58.4%
Weestern Europe	1 212 674	28.8%	739 677	22.2%
Russia	465 223	11.1%	402 838	12.1%
China	229 028	5.4%	208 435	6.2%
Unallocated*	46 117	1.1%	36 377	1.1%
Total	**4 207 369**	**100.0%**	**3 338 740**	**100.0%**

*Revenues of SCM Group

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

4.

4. Supply chain

The situation on cereal market was stable. The cereal harvest was satisfying but due to numerous rainfalls in the harvest period the supply of consumption cereal on the local market was much lower and the grain of good quality was desired.

Due to the downturn on the world milk market which lasted till the mid 2016 the prices of dairy products and in consequence the prices of milk purchase showed falling tendencies. Only in the second half of the year together with the increase of demand for dairy products (especially in China) the rise of prices was noted. In 2016 national producers increased the production of cheeses, butter and milk. The milk market stabilized at the end of 2016. The demand was relatively big and the prices much higher than a year ago. Polish milk market is still dependent on the world market to a large extent. Initial prognoses say that 2017 should be relatively stable.

The prices of oilseeds were stable in 2016 and favored maintaining low prices of the products produces based on these products.

Also the situation on chicken market was stable due to the low prices of fodder. The investments in the branch and increasing the production capacity increased export capacity from CEE countries. Similar investments took place also on Russian market and allowed to increase the efficiency of production and its quality.

The situation which originated in the previous year was maintained on the meat market. Attractiveness of export caused by an unfavorable exchange rate of EUR vs USD and a low value of Polish currency maintained high prices in the local market.

Main elements of purchase strategy which were realized last year and will be continued in the following period are as follows:

- Long term cooperation only with the suppliers who guarantee the highest standards of service, quality and the product safety.
- Implementation of innovative solutions by following trends and cooperation with experts by „Innovation Center",
- Consolidation of the purchases in the region,
- Following the situation on the world raw materials market and the events which can have the influence on their prices what facilitates taking appropriate decisions in appropriate time,
- Strengthening the actions and procedures on quality and food safety.
- Continuation of the distribution strategy taking new markets into account in order to optimize the costs.

The list of the largest suppliers of AmRest in 2016:



- Quick Service Logistics Polska Sp. z o.o. Sp. K. – distributor in Poland,
- Quick Service Logistics Czech s.r.o. – distributor in the Czech Republic,
- Lekkerland Deutschland GmbH & Co KG – distributor in Germany
- Conway S.A. – distributor in Spain,
- OOO RBD Distribution – distributor in Russia,
- LDS Disztribútor Szolgáltató Kft. – distributor in Hungary,
- Roldrob S.A. – supplier of chicken products in Poland,
- OOO East-West Logistic – distributor in Russia,
- Drobimex Sp. z o.o. – supplier of chicken products in Poland,
- Przedsiębiorstwo Drobiarskie Drobex Sp. z o.o. – supplier of chicken products in Poland,

5. Employment in AmRest

The table below shows employment in the Group in the years 2014–2016.

*TABLE 2. NUMBER OF EMPLOYEES IN AMREST (BALANCE AS AT 31 DECEMBER 2016, 2015, 2014)**

Year	**2016**	**2015**	**2014**
Employment in restaurants	27 612	22 679	22 198
Employment in administration	1 159	944	841
Total	**28 771**	**23 623**	**23 039**

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

6. Changes in the manner of management

6.1. Changes in the Parent Company's Management Board

On June 8th, 2016 the Management Board of AmRest informed, that due to the expiration in this calendar year of a three-year term of office, the mandates of two Board Members: Mr. Mark Chandler and Mr. Drew O'Malley have expired as at the date of the Annual General Meeting of the Company, i.e. June 7th, 2016. The legal basis of the expiry of the mandates was Article 369 § 4 of the Code of Commercial Companies of September 15th, 2000 (Journal of Laws no. 2000.94.1037 as amended).

On June 11th, 2016 the Management Board of AmRest informed, that on June 10th, 2016 the Supervisory Board of the Company adopted resolutions on reappointing Mr. Mark Chandler and Mr. Drew O'Malley to hold the positions of AmRest's Management Board Members. The resolutions became effective upon their adoption.

Information on reappointed Management Board Members:

Mark Chandler

Mr. Mark Chandler holds a Bachelor of Arts degree in Mathematics and Economics from Whitman College as well as an MBA in Finance and Marketing from Columbia University Graduate School of Business.

Mr. Chandler joined AmRest in November 2008 as Global Chief Financial Officer.

He previously was working as Chief Operating Officer and Chief Financial Officer for Waytronix, Inc. (LED technology) and for 23 years for Sara Lee Corporation, holding numerous positions in finance, management and operations, including roles as Group CFO EMEA and CEO Business Development Europe.

Mr. Chandler informed that he is not conducting other activities which are competitive in relation to the issuer, and is not engaged in a competitive company or partnership, as a partner in a civil-law or general partnership or as a member of a governing body of an incorporated company or any other competitive legal person. Mr. Chandler is not listed in the Insolvent Debtor Register kept in accordance of the Law on National Court Register.

Drew O'Malley

Mr. Drew O'Malley graduated with a Bachelor of Arts degree in Government from Georgetown University in Washington D.C. and holds an MBA from the University of Michigan Business School.

Mr. O'Malley was one of the first employees of AmRest. He previously has held multiple positions within the company, including Marketing Director, Czech Operations Director, KFC Brand President, Managing Director of Starbucks, Chief Operating Officer and Central Europe Division President. Currently he holds the position of Chief Digital Officer.

Before joining AmRest, Mr. O'Malley worked for McKinsey & Company, American Express Company and Citibank.

Mr. O'Malley informed that he is not conducting other activities which are competitive in relation to the issuer, and is not engaged in a competitive company or partnership, as a partner in a civil-law or general partnership or as a member of a governing body of an incorporated company or any other competitive legal person. Mr. O'Malley is not listed in the Insolvent Debtor Register kept in accordance of the Law on National Court Register.

In the period since the publication of last report there were no changes in the composition of the Supervisory Board.

On January 31st, 2017 the Management Board of AmRest informed that it received on the same day from Mr. Jacek Trybuchowski the resignation from the function of the member of AmRest Management Board, effective February 1st, 2017. The resignation was due to personal reasons. Mr. Trybuchowski served as the Company's Chief Operating Officer.

6.2. Changes in the Parent Company's Supervisory Board

On December 12th, 2016 the Extraordinary General Meeting of AmRest adopted following resolutions concerning the composition of the Supervisory Board of AmRest:

- resolution determining the number of the Supervisory Board members to be from 5 to 7 persons (Resolution No. 4),
- resolutions revoking the following persons from the Supervisory Board of the Company:
  - Zofia Dzik (Resolution no. 5),
  - Raimondo Eggink (Resolution no. 6),
  - Łukasz Rozdeiczer-Kryszkowski (Resolution no. 7),
  - Krzysztof A. Rozen (Resolution no. 8).

  The resolutions came into force upon their adoption.
- resolutions appointing the following persons as a members of the Company's Supervisory Board:
  - Carlos Fernández González (Resolution no. 9, came into force upon its adoption),
  - Pablo Castilla Reparaz (Resolution no. 10, effective from January 1st, 2017),
  - Mustafa Ogretici (Resolution no. 11, effective from January 1st, 2017).

Information on appointed members of the Supervisory Board:

Carlos Fernández González

Over the last 30 years, Mr. Carlos Fernández González has held management positions in various business sectors. These positions were highly complex and required Mr. Fernández to have a high level of skill and responsibility.

He was the CEO (1997-2013) and Chairman of the Board of Directors (2005-2013) of Modelo Group. From the time he was named CEO, up to 2013, this group consolidated its position as the leading brewing company in Mexico, the seventh biggest worldwide and the world's biggest beer exporter.

He has also served on the boards of national and international companies, including Anheuser Busch (US), Emerson Electric Co. (US), Seeger Industrial (Spain), Grupo Televisa (Mexico), Crown Imports, Ltd. (US), Inbursa (Mexico) and Mexican Stock Exchange (Bolsa Mexicana de Valores). He has served on the advisory board of the Modelo Group and has also been a member of the international advisory board at Banco Santander, S.A. and a director of Grupo Financiero Santander México S.A.B de C.V.

Mr. Fernández is currently Chairman of the Board of Directors of Grupo Finaccess S.A.P.I. de C.V. – a company of which he was founder – which is active in Mexico, Spain and the US. He is also an independent director of Banco Santander, S.A. and a non-executive director of Inmobiliaria Colonial, S.A.

Mr. Fernández is an industrial engineer and has also studied on senior management programmes at the IPADE Business School (Instituto Panamericano de Alta Dirección de Empresa).

Pablo Castilla Reparaz

Mr. Pablo Castilla Reparaz is a Spanish citizen. He has been involved in the banking sector working for the Spanish bank Banco Santander, S.A. for the last 30 years and has broad experience in M&A transactions. He currently holds position of Managing Director of Corporate Legal Advice / Legal Manager of corporate transactions of Grupo Santander. His scope of responsibilities includes M&A transactions in many jurisdictions both EU and non–EU. Mr. Pablo Castilla Reparaz held functions of Director of Santander Direkt Bank

(Germany), Director of Banco Mercantil (Peru), Non-member Secretary of BT Telecomunicaciones S.A. and Member Secretary of Open Bank S.A.

Mr. Castilla holds a Bachelor's Degree of Laws (Universidad de San Pablo) as well as a Master's Degrees in Tax Legal Advice and EU Law (ICAI – ICADE) and finished Advanced Management Program for Overseas Bankers (the Wharton School of the University of Pennsylvania). He is also a member of the Madrid Bar Association.

Mr. Castilla declared, that he meets all the criteria required for the independent member of the Supervisory Board.

Mustafa Ogretici

Mr. Mustafa Ogretici is a British citizen. He specializes in gastronomy and real estate sectors. His experience includes managing restaurants and franchising. He has owned and run restaurants in the United Kingdom since 1997. Since 2005 he has been real estate investor.

Mr. Ogretici graduated with a distinction from Cassio Campus College, Watford, where he studied Business Management and Law.

Mr. Ogretici declared, that he meets all the criteria required for the independent member of the Supervisory Board.

6.3. Composition of the Management and the Supervisory Boards

Management Board

In 2016, the Management Board of AmRest comprised:

- Drew O'Malley (excluding a period from June 7th till June 10th, 2016)
- Jacek Trybuchowski
- Mark Chandler (excluding a period from June 7th till June 10th, 2016)
- Oksana Staniszewska
- Olgierd Danielewicz
- Wojciech Mroczyński

At the date of publication of this report the composition of the Management Board of AmRest is as follows:

- Drew O'Malley
- Mark Chandler
- Oksana Staniszewska
- Olgierd Danielewicz
- Wojciech Mroczyński

Supervisory Board

In 2016, the Supervisory Board of AmRest comprised:

- Henry McGovern,
- Raimondo Eggink (until December 12th, 2016),
- Zofia Dzik (until December 12th, 2016),
- Łukasz Rozdeiczer-Kryszkowski (until December 12th, 2016),
- Krzysztof A. Rozen (until December 12th, 2016),
- José Parés Gutiérrez (Chairman of the Supervisory Board),
- Luis Miguel Álvarez Pérez,
- Steven Kent Winegar Clark,

- Carlos Fernández González,

As at the date of publication of this report the composition of the Company's Supervisory Board is as follows:

- Henry McGovern,
- José Parés Gutiérrez (Chairman of the Supervisory Board),
- Luis Miguel Álvarez Pérez,
- Steven Kent Winegar Clark,
- Carlos Fernández González,
- Pablo Castilla Reparaz (from January 1st, 2017),
- Mustafa Ogretici (from January 1st, 2017).

6.4. Functional description of the management and supervisory bodies

Principles concerning appointment and dismissal of managers and their entitlements are regulated in the Company's Statute.

The Management Board shall manage the Company's affairs and represent it. Joint action of two members of the Management Board shall be required to represent the Company.

The members of the Management Board shall be appointed and revoked by the Supervisory Board. The members of the Management Board shall be appointed for a period of three years. The Management Board shall consist of at least two members. The Supervisory Board shall specify the number of members of the Management Board.

The entitlements of the Management Board to take the decision on issue of shares are also described in §4 of the Statute of the Company:

- *The Management Board may issue shares in exchange for cash or in-kind contributions.*
- *The increase of share capital within the boundaries of authorized capital shall be carried only for the purposes of the exercise of stock options granted under any incentive management stock option plan to employees, including members of the Management Board of the Company or its subsidiaries, previously approved by the General Meeting or the Supervisory Board before June 1, 2010. Resolutions of the Management Board on the setting of issue price, or issuing the shares in exchange for contribution in kind do not require the consent of the Supervisory Board.*
- *Within the boundaries of the authorised share capital, the Management Board shall be authorised to deprive, whether in full or in part, of the pre-emptive right to shares upon the consent of the Supervisory Board. The consent referred to in the first sentence shall be given in a resolution adopted by a majority of four fifths of the votes of the Supervisory Board members.*

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

The obligations of the Supervisory Board shall comprise inter alia:

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

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

7. Financial and asset position of the Group

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

TABLE 3. KEY FINANCIAL CONSOLIDATED DATA OF AMREST (2015–2016)

PLN '000, unless stated otherwise	**2016**	**2015**
Sales revenue	4 207 369	3 338 740
Operating profit before depreciation and amortization (EBITDA)	555 576	436 472
Operating margin before depreciation and amortization (EBITDA margin)	*13.2%*	*13.1%*
Adjusted operating profit before depreciation and amortization (adjusted EBITDA)*	588 438	466 895
*Adjusted operating margin before depreciation and amortization (adjusted EBITDA margin)**	*14.0%*	*14.0%*
Operating profit (EBIT)	268 174	195 743
Operating margin (EBIT margin)	*6.4%*	*5.9%*
Net profit (attributable to AmRest shareholders)	190 564	160 036
Net margin	*4.5%*	*4.8%*
Equity	1 376 610	1 104 074
Return on equity (ROE)	*13.8%*	*14.5%*
Total assets	3 440 963	2 849 802
Return on assets (ROA)	*5.5%*	*5.6%*

* Amounts net of costs of new openings (start-up), costs of mergers and acquisitions (all material costs relating to professional services, connected with finalized merger or acquisition and directly related to the transaction), corrections in indirect taxes and the effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).

Definitions:

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

Operating margin – operating profit to sales;

Net margin – net profit to sales;

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

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

TABLE 4. LIQUIDITY ANALYSIS (IN THE YEARS 2015-2016)

PLN ’000, unless stated otherwise	**2016**	**2015**
Current assets	588 806	522 163
Inventory	82 086	63 550
Short-term liabilities	847 626	565 546
Current ratio	*0.69*	*0.92*
Quick ratio	*0.60*	*0.81*
Cash and cash equivalents	291 641	317 871
Cash ratio	*0.34*	*0.56*
Inventory turnover (in days)	*6.20*	*6.18*
Trade and other receivables	99 384	91 929
Trade receivables turnover (in days)	*6.79*	*7.38*
Operating ratio (cycle) (in days)	*12.99*	*13.55*
Trade and other short-term payables	614 929	461 774
Trade payables turnover (in days)	*41.02*	*39.64*
Cash conversion ratio (in days)	*-28.03*	*-26.08*

Definitions:

Current ratio – current assets to current liabilities;

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

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

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

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

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

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

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

TABLE 5. DEBT ANALYSIS (IN THE YEARS 2015–2016)

PLN ’000, unless stated otherwise	2016	2015
Non-current assets	2 852 157	2 327 639
Liabilities	2 064 353	1 745 728
Long-term liabilities	1 216 727	1 180 182
Debt	1 262 288	1 125 364
Share of inventories in current assets (%)	*13.9%*	*12.2%*
Share of trade receivables in current assets (%)	*16.9%*	*17.6%*
Share of cash and cash equivalents in current assets (%)	*49.5%*	*60.9%*
Equity to non-current assets ratio	0.48	0.47
Gearing ratio	0.60	0.61
Long-term liabilities to equity ratio	0.88	1.07
Liabilities to equity ratio	1.50	1.58
Debt/equity	0.92	1.02

Definitions:

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

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

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

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

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

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

Consolidated sales of AmRest Group grew by 26% in 2016 compared to the prior year (from PLN 3 339m to PLN 4 207m).

Strong top line growth resulted mainly from stable LFL trends in most of brands and markets of AmRest’s operations, accelerated pace of organic expansion as well as revenues added from acquired Starbucks chains in Romania and Bulgaria (mid-2015) and Germany (mid-2016).

The largest portion of sales growth came from Western Europe (+64%). This was achieved through mentioned addition of Starbucks Germany to Group’s portfolio and well as stable upward LFL trends in La Tagliatella Spain. As a result, by end of 2016 Western Europe accounted for 29% of total sales of AmRest. In Central Europe, revenues grew by 15.5% compared to 2015, which was driven by positive LFL trends across the markets (in some brands double-digit growth) and increased build rate (88 restaurants opened in CE in 2016). Similar growth rate was achieved in Russia (+15.5% vs 2015) thanks to positive LFL trends and additional sales from new restaurants. In China, LFL sales noted a single-digit decline through the year. However, negative trends reversed in December 2016. In 2016 The Group continued expansion of Blue Frog brand in China, leading to 10% increase in revenues of the market.

*TABLE 6. KEY FINANCIALS OF AMREST GROUP BY DIVISION (Q4 2015 AND Q4 2016)**

PLN '000	Q4 2016			Q4 2015		
		Share	*Margin*		*Share*	*Margin*
Sales	**1 214 524**			**917 874**		
Poland	*382 129*	*31.5%*		*348 301*	*37.9%*	
Czech Republic	*136 987*	*11.3%*		*120 255*	*13.1%*	
Hungary	*67 622*	*5.6%*		*48 946*	*5.3%*	
Other CE	*41 128*	*3.4%*		*30 470*	*3.3%*	
Total CE	650 631	*53.6%*		547 972	*59.7%*	
Russia	134 958	*11.1%*		101 099	*11.0%*	
Spain	227 788	*18.8%*		197 390	*21.5%*	
Germany	146 231	*12.0%*		2 749	*0.3%*	
Other Western Europe	4 639	*0.4%*		5 911	*0.6%*	
Western Europe	378 658	*31.2%*		206 050	*22.4%*	
China	59 959	*4.9%*		52 471	*5.7%*	
Unallocated	13 083	*1.1%*		10 282	*1.1%*	
EBITDA	**151 844**		12.5%	**115 351**		12.6%
Poland	*46 094*		*12.1%*	*49 563*		*14.2%*
Czech Republic	*25 820*		*18.8%*	*22 423*		*18.6%*
Hungary	*8 437*		*12.5%*	*7 040*		*14.4%*
Other CE	*8 024*		*19.5%*	*6 050*		*19.9%*
Total CE	88 375		*13.6%*	85 076		*15.5%*
Russia	12 200		*9.0%*	6 517		*6.4%*
Spain	53 777		*23.6%*	40 646		*20.6%*
Germany	9 573		*6.5%*	-1 989		-
Other Western Europe	-1 665		-	-180		-
Western Europe	61 685		*16.3%*	38 477		*18.7%*
China	4 224		*7.0%*	351		*0.7%*
Unallocated	-14 640		-	-15 070		-
Adjusted EBITDA*	**168 547**		13.9%	**121 122**		13.2%
Poland	*49 883*		*13.1%*	*43 770*		*12.6%*
Czech Republic	*27 220*		*19.9%*	*22 798*		*19.0%*
Hungary	*10 508*		*15.5%*	*7 607*		*15.5%*
Other CE	*8 561*		*20.8%*	*6 096*		*20.0%*
Total CE	96 172		*14.8%*	80 271		*14.6%*
Russia	13 065		*9.7%*	11 317		*11.2%*
Spain	55 604		*24.4%*	42 022		*21.3%*
Germany	10 447		*7.1%*	-1 989		-
Other Western Europe	-1 664		-	-175		-
Western Europe	64 387		*17.0%*	39 858		*19.3%*
China	5 176		*8.6%*	801		*1.5%*
Unallocated	-10 253		-	-11 125		-
EBIT	**67 309**		5.5%	**38 896**		4.2%
Poland	*19 385*		*5.1%*	*24 043*		*6.9%*
Czech Republic	*16 835*		*12.3%*	*15 726*		*13.1%*
Hungary	*3 611*		*5.3%*	*4 667*		*9.5%*
Other CE	*5 434*		*13.2%*	*398*		*1.3%*
Total CE	45 265		*7.0%*	44 834		*8.2%*
Russia	2 832		*2.1%*	-708		*-0.7%*
Spain	38 282		*16.8%*	26 506		*13.4%*
Germany	2 585		-	-2 241		-
Other Western Europe	-1 740		-	-5 827		-
Western Europe	39 127		*10.3%*	18 438		*8.9%*
China	-4 986		*-8.3%*	-8 553		-
Unallocated	-14 929		-	-15 115		-

* Data have not been audited

** EBITDA adjusted by costs of new openings (start-up), costs of mergers and acquisitions (all material costs relating to professional services, connected with finalized merger or acquisition and directly related to the transaction), corrections in indirect taxes and the effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).

TABLE 7. KEY FINANCIALS OF AMREST GROUP BY DIVISION (2015 – 2016)

PLN '000	2016			2015		
		Share	*Margin*		*Share*	*Margin*
Sales	**4 207 369**			**3 338 740**		
Poland	*1 413 526*	*33.6%*		*1 294 779*	*38.8%*	
Czech Republic	*487 444*	*11.6%*		*415 848*	*12.5%*	
Hungary	*219 694*	*5.2%*		*163 096*	*4.9%*	
Other CE	*133 663*	*3.2%*		*77 690*	*2.3%*	
Total CE	2 254 327	*53.6%*		1 951 413	*58.4%*	
Russia	465 223	*11.1%*		402 838	*12.1%*	
Spain	836 531	*19.9%*		704 412	*21.1%*	
Germany	356 998	*8.5%*		11 857	*0.4%*	
Other Western Europe	19 145	*0.5%*		23 408	*0.7%*	
Western Europe	1 212 674	*28.8%*		739 677	*22.2%*	
China	229 028	*5.4%*		208 435	*6.2%*	
Unallocated	46 117	*1.1%*		36 377	*1.1%*	
EBITDA	**555 576**		13.2%	**436 472**		13.1%
Poland	*184 747*		*13.1%*	*177 527*		*13.7%*
Czech Republic	*93 190*		*19.1%*	*71 610*		*17.2%*
Hungary	*31 312*		*14.3%*	*22 998*		*14.1%*
Other CE	*23 662*		*17.7%*	*11 798*		*15.2%*
Total CE	332 911		*14.8%*	283 933		*14.6%*
Russia	50 631		*10.9%*	40 457		*10.0%*
Spain	179 505		*21.5%*	146 363		*20.8%*
Germany	13 003		*3.6%*	-4 656		-
Other Western Europe	-4 056		-	-4 819		-
Western Europe	188 452		*15.5%*	136 888		*18.5%*
China	15 103		*6.6%*	7 837		*3.8%*
Unallocated	-31 521		-	-32 643		-
Adjusted EBITDA*	**588 438**		14.0%	**466 895**		14.0%
Poland	*186 585*		*13.2%*	*175 579*		*13.6%*
Czech Republic	*95 595*		*19.6%*	*72 842*		*17.5%*
Hungary	*34 693*		*15.8%*	*24 451*		*15.0%*
Other CE	*25 155*		*18.8%*	*12 074*		*15.5%*
Total CE	342 028		*15.2%*	284 946		*14.6%*
Russia	54 414		*11.7%*	49 653		*12.3%*
Spain	184 708		*22.1%*	148 935		*21.1%*
Germany	16 047		*4.5%*	-4 656		-
Other Western Europe	-4 055		-	-4 814		-
Western Europe	196 700		*16.2%*	139 465		*18.9%*
China	17 833		*7.8%*	11 231		*5.4%*
Unallocated	-22 537		-	-18 400		-
EBIT	**268 174**		6.4%	**195 743**		5.9%
Poland	*86 994*		*6.2%*	*88 053*		*6.8%*
Czech Republic	*62 942*		*12.9%*	*47 154*		*11.3%*
Hungary	*15 922*		*7.2%*	*13 294*		*8.2%*
Other CE	*11 327*		*8.5%*	*2 683*		*3.5%*
Total CE	177 185		*7.9%*	151 184		*7.7%*
Russia	17 812		*3.8%*	14 001		*3.5%*
Spain	124 031		*14.8%*	94 386		*13.4%*
Germany	-4 328		-	-5 506		-
Other Western Europe	-5 778		-	-12 290		-
Western Europe	113 925		*9.4%*	76 590		*10.4%*
China	-8 547		-	-12 392		-
Unallocated	-32 201		-	-33 640		-

* EBITDA adjusted by costs of new openings (start-up), costs of mergers and acquisitions (all material costs relating to professional services, connected with finalized merger or acquisition and directly related to the transaction), corrections in indirect taxes and the effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).

In 2016 AmRest Group delivered record high financial results for the year. Operating profit (EBIT) amounted to PLN 268m and was 37% higher than year ago. EBIT margin grew by 0.5pp and reached 6.4% in 2016. Along with significant growth of revenues, the Company achieved further economies of scale and improved its cost effectiveness. Thanks to favorable trends in food prices and savings on the side of supply chain management, gross margin of the Group increased to 71.9% (+1pp). In 2016 AmRest reported relatively lower G&A expenses (-0.6pp) and depreciation cost (resulting from decreased average cost of new openings). Abovementioned savings offset the impact of growing payroll costs. In 2016 cost of labor increased by 1pp, to large extent driven by consolidation of Starbucks Germany (0.6pp impact on Group's margin) as well as pressure on labor cost in CE and Russia.

2016 EBITDA of the Group increased by 27% over the year and amounted to record high level of PLN 556m. EBITDA margin grew by 0.1pp to 13.2%. Excluding the impact of Starbucks Germany, EBITDA of the Group grew by 24% with EBITDA margin growing to 14% (+0.9pp vs 2015).

In 2016 the business strategy of AmRest was focused on strengthening its leadership position in CE and Spain. As a result, EBITDA profit grew respectively by 17% and 23% over the year. Profits in Central Europe increased by PLN 49m on EBITDA level, mostly on the back of relatively lower cost of food, maintenance expenses and successful rent negotiations. Achieved savings were enough to offset rising labor cost, thus EBITDA margin in CE grew by 0.2pp and reached 14.8% in 2016. Outstanding business performance in Czech Republic and Romania, driven by double-digit LFL trends and further improvement of stores' effectiveness, resulted in further expansion of EBITDA margins in these countries (19% and 25% respectively in 2016). Observed EBITDA margin deterioration in Poland (-0.6pp in 2016) came mostly from lower other operating income as compared to 2015. The impact of growing pressure on labor cost was to full extent offset by savings in food cost, rent and semi-variable cost.

In Spain EBITDA margin increased to 21.5% in 2016 (+0.7pp). Stable LFL trends continued and thanks to economies of scale Spanish division reported relatively lower G&A and labor cost.

Situation in Russian market showed signs of stabilization, which was reflected in 2016 results. EBITDA profit in Russia grew over the year by 25% amounting to PLN 51m in 2016. The margin improved by 0.9pp and reached 10.9%. Successful rent negotiations and G&A savings compensated for higher labor and maintenance cost.

In 2016 AmRest continued expansion of Blue Frog chain in China. Growing scale of operations (8 restaurants added in 2016) and significant improvement of store-level effectiveness were the key drivers of doubled profitability (EBITDA increased form PLN 8m to PLN 15m for the year). EBITDA margin strengthened by 2.8pp to 6.6% in 2016, which was possible thanks to relatively lower cost of food, payroll and pre-opening expenses.

Net profit of the Group, attributable to AmRest shareholders, amounted to PLN 191m (compared to PLN 160m in 2015). This represented a 19% growth over the year.

At the end of 2016 the liquidity ratios reflected solid balance sheet structure of the Group. The long-term debt ratio decreased to 0.88 at the end of the year (vs 1.07 year ago). Net debt calculated for contractual covenants as at the end of 2016 amounted to PLN 980m. Net debt/EBITDA ratio amounted to 1.81.

7.2. Assessment of future ability to settle incurred liabilities

The Consolidated Financial Statements for the period of 12 months ending 31 December 2016 were prepared in accordance with going concern assumption by the Group in foreseeable future what assumes realization of assets and liabilities throughout the normal terms of Group business operations. The Annual Consolidated Financial Statements do not contain any adjustments that would be necessary in such circumstances. In the opinion of the Management Board, as at the date on which the Consolidated Financial Statements were drawn up, there were no circumstances indicating any threat to the Company continuing as a going concern.

7.3. Financial instruments in AmRest

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

At 31 December 2016 the AmRest Group held the following committed credit lines available for use (in respect of foreign currency loans, their amounts are given in PLN, translated at the NBP rate prevailing on 31.12.2016):

- Bank Pekao S.A., Bank Zachodni WBK S.A., ING Bank Śląski S.A., Bank BGŻ BNP Paribas S.A. (Poland) – PLN 300 000 thousand (revolving loan in PLN, tranche D),

Detailed information on loans, borrowings and bonds as at 31 December 2016 are presented in Note 18 to the Consolidated Financial Statements and in Appendix No. 10 of the Supplement to the Management Board's Report.

Other financial instruments as at 31 December 2016, are described in Note 31 of the Consolidated Financial Statements.

7.4. Structure of key investments and capital expenditure projects

As at 31 December 2016, AmRest's investments in associates amounted to PLN 888 thousand. They were related to SCM s.r.o. shares.

7.5. Description of key domestic and foreign investments

Increases in non-current assets in the years 2015 and 2016 are shown in the table below.

TABLE 8. THE GROUP'S PURCHASES OF NON-CURRENT ASSETS (2015–2016)

PLN '000	2016	2015
Intangible assets, including:	**191 271**	**84 238**
Licences for use of Pizza Hut, KFC, Stabucks and Burger King trademarks	22 574	9 314
Goodwill	146 360	11 637
Other intangible assets	22 337	63 287
Fixed assets, including:	**483 523**	**268 995**
Buildings	244 579	159 102
Equipment	141 871	87 540
Vehicles	2 515	2 872
Other (including fixed assets under construction)	94 558	19 481
Total	**674 794**	**353 233**

Capital expenditure incurred by AmRest Group in 2016 related mainly to construction of new restaurants, renovation of existing stores and acquisition of 144 Starbucks coffee shops in Germany in May 2016. The goodwill increased in 2016 by PLN 146m, driven by mentioned M&A in Germany. The PLN 215m increase in capital spending on fixed assets resulted mainly from accelerated pace of organic expansion and acquisition of Starbucks in Germany (PLN 74m allocated on fixed assets). In 2016 capital expenditure was financed mainly with operating cash flows and bank loans.

As at the end of 2016, AmRest was operating 1 181 restaurants (904 as at the end of 2015). In 2016 the Group opened 146 new restaurants, acquired 144 restaurants, 13 restaurants were closed.

TABLE 9. NUMBER OF AMREST RESTAURANTS AS AT 31 DECEMBER 2016

	AmRest	**Franchisees**	**Total**
As at the end of 2015	782	122	**904**
Openings	132*	14	**146**
Acquisitions	144	0	**144**
Closings	-10	-3*	**-13**
Total	**1048**	**133**	**1181**

* Data include 1 conversion of La Tagliatella franchised restaurant into equity restaurant.

As at March 16th, 2017 AmRest operates 1 194 restaurants.

TABLE 10. NUMBER OF AMREST RESTAURANTS AS AT THE DATE OF PUBLICATION OF THE REPORT

Countries	Brands	31.12.2015	31.03.2016	30.06.2016	30.09.2016	31.12.2016	16.03.2017
Poland	**TOTAL**	**346**	**345**	**355**	**361**	**389**	**389**
	KFC	206	206	208	212	222	222
	BK	33	33	34	35	36	36
	SBX	40	40	43	44	52	52
	PH	67	66	70	70	79	79
Czech	**TOTAL**	**102**	**103**	**104**	**106**	**114**	**114**
	KFC	71	71	71	73	78	78
	BK	7	7	7	7	8	8
	SBX	24	25	26	26	28	28
Hungary	**TOTAL**	**49**	**49**	**50**	**55**	**66**	**66**
	KFC	35	35	35	39	45	45
	SBX	12	12	13	14	16	16
	PH	**2**	**2**	**2**	**2**	**5**	**5**
Russia	**TOTAL**	**109**	**111**	**119**	**120**	**123**	**123**
	KFC	101	103	111	112	115	115
	PH	8	8	8	8	8	8
Bulgaria	**TOTAL**	**11**	**11**	**11**	**11**	**11**	**11**
	KFC	5	5	5	5	5	5
	BK	1	1	1	1	1	1
	SBX	5	5	5	5	5	5
Serbia	**TOTAL**	**5**	**5**	**5**	**5**	**5**	**5**
	KFC	5	5	5	5	5	5
Croatia	**TOTAL**	**5**	**5**	**5**	**6**	**6**	**6**
	KFC	5	5	5	6	6	6
Romania	**TOTAL**	**19**	**19**	**19**	**22**	**28**	**28**
	SBX	19	19	19	22	28	28
Slovakia	**RAZEM**	**0**	**0**	**1**	**2**	**3**	**3**
	SBX	0	0	1	2	3	3
Spain	**TOTAL**	**216**	**219**	**227**	**232**	**245**	**246**
	TAG - own restaurants	65	66	67	68	77	74
	TAG - franchised units	115	116	123	124	125	129
	KFC	36	37	37	40	43	43
France	**TOTAL**	**10**	**10**	**10**	**10**	**10**	**9**
	TAG - own restaurants	4	4	5	5	5	4
	TAG - franchised units	6	6	5	5	5	5
Germany	**TOTAL**	**2**	**2**	**145**	**145**	**145**	**157**
	SBX	**0**	**0**	**143**	**143**	**143**	**140**
	TAG - own restaurants	2	2	2	2	2	2
	KFC	0	0	0	0	0	15
China	**TOTAL**	**29**	**30**	**32**	**34**	**36**	**37**
	Blue Frog	25	26	28	30	32	33
	KABB	4	4	4	4	4	4
	TAG - own restaurants	0	0	0	0	0	0
USA	**TOTAL**	**1**	**0**	**0**	**0**	**0**	**0**
	TAG - own restaurants	1	0	0	0	0	0
	TAG - franchised units	0	0	0	0	0	0
TOTAL AmRest		**904**	**909**	**1083**	**1109**	**1181**	**1194**

7.6. Insurance contracts

TABLE 11. INSURANCE CONTRACTS (AS AT THE END OF 2016)

The Insured	Type of insurance	The Insurer
A master property insurance agreement for all companies CEE and Russia (in each country a local policy was underwritten with reference to the master policy)	All risks property insurance All risks insurance of loss of profit Electronic property policy insurance	AXA TUiR S.A. [local policies underwritten by AXA or local partner of AXA]
A master general liability insurance policy for all operations of all companies CEE and Russia (in each country a local policy was underwritten with reference to the master policy)	General liability insurance in respect of operations and property with extensions	AXA TUiR S.A. [local policies underwritten by AXA or local partner of AXA]
A policy underwritten in Spain covering Spain, France and Germany	All risks property insurance All risks insurance of loss of profit General liability cover	AIG
A policy underwritten in Spain covering Spain, France and Germany	Cargo transport Construction All Risk	AIG HDI
Policy for companies in USA	General liability cover	Essex Insurance Company
Policy for companies in China	All risks property insurance General liability cover Cash insurance	AIG CHUBB AXA
Policy for companies in China	Employer liability insurance Group Health Insurance for Employee	PICC Met Life
General liability policy for the authorities of the commercial companies for all Group companies including the USA	D&O insurance	ACE European Group Limited [local policy in China underwritten by Lloyd's and in Serbia underwritten by Wiener Śtaedtische VIG]
Motor insurance in Poland	All risks, Third party and Accident insurance	Ergo Hestia

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

On January 22nd, 2016 AmRest informed about signing on the same day the termination of the Distribution Agreement concluded on April 17th, 2008 between AmRest Kft (formerly American Restaurants Kft) and AmRest Kávézó Kft (together called "AmRest Hungary") and LDS Disztibútor Szolgáltató Kft (formerly Lekkerland Export-Import Kft, hereinafter "Distributor 1") ("Agreement 1"). The Agreement was announced in the current report RB 23/2008 dated April 18th, 2008.

The subject of the Agreement 1 were distribution services provided by Distributor 1 to the restaurants operated by AmRest Hungary.

Dissolution of the Agreement 1 shall be effective on June 1st, 2016.

The Agreement 1 was terminated by AmRest Hungary due to the Company's strategy of consolidating the distribution in Central and Eastern Europe. Termination of the Agreement 1 will not have financial consequences for the Company, as well as its subsidiaries (including AmRest Hungary).

On January 22nd, 2016 AmRest informed also that AmRest Coffee SK s.r.o. and Starbucks EMEA LTD and Starbucks Manufacturing EMEA B.V. (collectively: "Starbucks") signed on January 22nd, 2016 the Area Development and Operation Agreement and Supply Agreement regarding the rights and license to develop, own and operate Starbucks stores in the Slovak Republic (collectively: the "Agreements"). AmRest Coffee SK s.r.o. is the company created by AmRest s.r.o. and AmRest Sp. z o.o., 100% subsidiaries of AmRest. Agreements came into force upon their signing.

The Agreements were concluded for a period of 15 years from the date of their entry into force, with an option to extend the term for an additional 5 years upon the fulfillment of certain conditions. AmRest Coffee SK s.r.o. will be the only entity with the right to develop and operate Starbucks stores in the Slovak Republic during the term of the Agreements with non-exclusive rights to certain institutional locations and sale channels.

The key fees and costs to be borne by the AmRest Coffee SK s.r.o. will be:

- the services fee for initial operation support in an amount equal to the costs incurred by Starbucks in this regard,
- the initial franchise fee of USD 25 thousand for each Starbucks store,
- the continuing licensing and service fee equal to 6% of sales revenues of each Starbucks store,
- the fee creative services equal to 1% of sales revenues of each Starbucks store.
- a local marketing spend obligation is to be mutually agreed annually.

AmRest Coffee SK s.r.o. agreed to open and operate Starbucks stores in strict accordance with the development schedule which includes the minimum numbers of openings in each year within the Agreements' period. If AmRest Coffee SK s.r.o. fails to meet the development obligations, Starbucks will have the right to charge a development default fee or to terminate the Agreements. The Agreements include the provision concerning the purchase of coffee and other basic supplies either from Starbucks or other approved or designated suppliers.

On April 20th, 2016 Management Board of AmRest announced signing of a Sale and Purchase Agreement (the "SPA"), dated April 19th, 2016, between AmRest Capital ZRT ("Buyer 1"), AmRest Kaffee Sp. z o.o. („Buyer 2") (collectively „Buyers"), AmRest Work Sp. z o.o. ("New General Partner") and AmRest Holdings SE ("Guarantor"), Starbucks Coffee EMEA B.V. ("Seller") and Starbucks EMEA Ltd ("Hitherto General Partner"). Under the terms of the SPA Buyers acquired 100% partnership interest in Starbucks Coffee Deutschland Ltd & Co. KG ("Starbucks Deutschland") and the hitherto General Partner of Starbucks Deutschland was replaced with New General Partner. Estimated purchase price was expected at ca. EUR 41 million (ca. PLN 178 million). Final purchase price was to be determined as at the day of the transaction closing.

Starbucks Deutschland was an operator of Starbucks stores in Germany (which were the subject of SPA) and a subsidiary of Starbucks Corporation - the owner of the Starbucks brand. At the date of the SPA signing Starbucks Deutschland managed 144 equity restaurants in dozens cities across the country. Estimated revenues of Starbucks Deutschland in the financial year 2015 amounted to approx. EUR 131 million (ca. PLN 564 million) and EBITDA profit calculated for the purpose of purchase price estimation stood at approx. EUR 6 million (ca. PLN 25 million).

The parties of SPA intended to close the transaction by the end of May 22nd, 2016 ("Completion"). The SPA did not provide for additional conditions the Completion is contingent upon, beyond the standard material adverse change clause ("MAC"). SPA should enter into force on May 23rd, 2016. On or before that day, Starbucks Deutschland should be renamed to AmRest Coffee Deutschland Sp. z o.o. & Co. KG ("AmRest Coffee Deutschland").

Simultaneously, Management Board of AmRest informed that StarbucksCoffee Deutschland, Starbucks EMEA LTD and Starbucks Manufacturing EMEA B.V. (collectively: "Starbucks") signed on April 19th, 2016 the Area Development and Operation Agreement ("ADOA") and Supply Agreement regarding the rights and license to develop, own and operate Starbucks stores in Germany (collectively: the "Agreements"). Agreements were conditional and were to come into force after the Completion of the SPA.

The Agreements were concluded for a period of 15 years from the date of their entry into force, with an option to extend the term for additional 5 years upon the fulfillment of certain conditions.

The key fees and costs to be borne by the AmRest Coffee Deutschland would be:

- the initial franchise fee of USD 25 thousand (ca. PLN 95 thousand) for each new location opened,

- the continuing licensing and service fee equal to 6% of sales revenues of each Starbucks store,

- a local marketing spend obligation is to be mutually agreed annually (for the first year of the Agreements, the amount shall be 4 percent of sales).

AmRest Coffee Deutschland agreed to open and operate Starbucks stores in strict accordance with the development schedule specified in the Agreements. If AmRest Coffee Deutschland fails to meet the development obligations, Starbucks will have the right to charge a development default fee or to terminate the ADOA and Supply Agreement. The Agreements included the provision concerning the purchase of coffee and other basic supplies either from Starbucks or other approved or designated suppliers.

In the opinion of the Management Board of AmRest there is a great potential for development of Starbucks brand in the German market. The Company's intention is to triple the scale of that business within the coming years.

Announced acquisition is another milestone in building the leading position of AmRest in European restaurant market. Management Board of the Company believes that the addition of well positioned Starbucks business in Germany will contribute to value creation for AmRest's shareholders.

On May 23rd, 2016 the Management Board of AmRest informed about the Completion on the same day of the SPA. As a result of the Completion Buyers acquired 100% partnership interest in Starbucks Deutschland at total price of EUR ca. 40 million (PLN ca. 177 million) and the General Partner of Starbucks Deutschland was replaced with New General Partner.

Under the terms of the SPA Starbucks Deutschland was renamed to AmRest Coffee Deutschland. As a result of the Completion AmRest became an operator of 144 Starbucks stores in dozens cities across the German market.

Simultaneously, Management Board of AmRest informed that the Area Development and Operation Agreement and Supply Agreement between AmRest Coffee Deutschland, Starbucks EMEA LTD and Starbucks Manufacturing EMEA B.V. concerning the rights and license to develop, own and operate Starbucks stores in Germany came into force.

On May 6th, 2016 the Management Board of AmRest informed in regards to the Credit Agreement (“the Agreement”) referred to in RB 61/2013 dated September 10th, 2013, about signing on May 6th, 2016 an Annex to the Agreement introducing amended and restated version of the credit agreement („the Amended Agreement”) between AmRest, AmRest Sp. z o.o. („AmRest Poland”) and AmRest s.r.o. („AmRest Czech”) – jointly „the Borrowers” and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Bank BGŻ BNP Paribas S.A. and ING Bank Śląski S.A. – jointly „the Lenders”. AmRest Poland and AmRest Czech are 100% subsidiaries of AmRest.

Based on the Amended Agreement the Lenders granted to the Borrowers an additional credit tranche (“Tranche E”) in the amount of EUR 50 million and increased revolving credit tranche (“Tranche D”) by PLN 100 million. The amount granted within Tranche E was dedicated to finance or refinance costs of M&A activities, while increased revolving credit was to finance working capital and capital expenditures.

The tranches were provided at the variable interest rates and other terms of the traches were consistent with the market conditions. All Borrowers bear joint liability for any obligations resulting from the Agreement.

Both tranches are to be repaid in full by September 10th, 2018.

The Amended Agreement was defined as significant agreement because its value exceeded the level of 10% of AmRest equity.

On May 20th, 2016 the Management Board of AmRest informed about signing on the same day the distribution agreement (“the Agreement 2”) between AmRest’s subsidiaries – AmRest Kft and AmRest Kávézó Kft (jointly “AmRest’s subsidiaries”) and Quick Service Logistics Hungaria Bt (“Distributor 2”).

On the basis of the Agreement 2 the Distributor 2 deals with purchasing, warehousing and sale of products for the restaurants operated by AmRest’s subsidiaries in Hungary.

Estimated value of the contract was PLN 167 million (HUF 12 billion). The Agreement 2 has been signed for a period from May 30th, 2016 to May 31st, 2019with an option to extend the term for an additional two years.

Signing of the Agreement 2 was a result of the Company's strategy aimed at consolidating the distribution in Central and Eastern Europe.

The Agreement has been considered as significant because of its value, which exceeded 10% of AmRest equity as of March 31st, 2016.

On May 24th, 2016 the Management Board of AmRest informed about signing on May 23rd, 2016 the Binding Head of Terms (“HoT”) determining the key terms and conditions on, and subject to which, Pizza Hut Europe (“PH Europe”) would be willing to proceed with a potential transaction with AmRest whereby AmRest and PH Europe would enter into a Definitive Agreement, Master Franchise Agreement (“MFA”), Development Agreement (“DA”) and related International Franchise Agreements and Shareholder Deed(s) (collectively: the “Agreements”). The Agreements determined the rights and license to develop, own and operate Pizza Hut restaurants in countries of Central and Eastern Europe: Poland, Czech Republic, Hungary, Bulgaria, Serbia, Croatia, Slovakia and Slovenia.

According to the HoT AmRest, as a master-franchisee, would have the right to granting the license to the third parties to operate Pizza Hut restaurants (sub-franchise), while ensuring a certain share of restaurants operated directly by the Company.

On July 1st, 2016 the Management Board of AmRest informed about signing on June 30th, 2016 the Amendment to HoT. The Amendment extended the term of HoT, and simultaneously the period during which the Agreements should be executed, to July 15th, 2016. If the parties failed to execute the Agreements by that day, the HoT would terminate immediately. Remaining provisions of the HoT had not changed.

On July 15th, 2016 the Management Board of AmRest informed about signing on July 15th, 2016 the Amendment no. 2 to HoT. The Amendment extended the term of HoT, and simultaneously the period during which the Agreements should be executed, to July 31st, 2016. If the parties failed to execute the Agreements by that day, the HoT would terminate immediately. Remaining provisions of the HoT had not changed.

On August 1st, 2016 the Management Board of AmRest informed about signing on July 31st, 2016 the Amendment no. 2 to HoT. The Amendment extended the term of HoT, and simultaneously the period during which the Agreements should be executed, to August 15th, 2016. If the parties failed to execute the Agreements by that day, the HoT would terminate immediately. Remaining provisions of the HoT had not changed.

On August 16th, 2016 AmRest informed about signing on August 15th, 2016 the MFA and DA with PH Europe.

The provisions of the Agreements entered into force on October 1st, 2016.

According to the MFA AmRest, as a master-franchisee, obtained the right to granting the license to the third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise), while ensuring a certain share of restaurants operated directly by the Company.

The MFA was granted for initial period of 10 years with an option of further prolongations upon the fulfillment of certain terms and conditions.

The DA was concluded for a period of 5 years and will be prolonged for another 5 years on terms and conditions to be determined by the parties.

In order to facilitate the growth of scale of Pizza Hut business, PH Europe introduced an incentive mechanism reducing certain fees incurred by AmRest under the MFA ("Reduced Fees"), provided that the Company meets certain development obligations specified in the DA.

Upon entry into force of the Agreements AmRest is required to open and operate Pizza Hut Express and Delivery restaurants in accordance with the development schedule setting the minimum number of openings in the subsequent years of the Agreements' term. If AmRest fails to meet the development obligations, PH Europe will have the right to increase the Reduced Fees and change the terms or terminate the MFA and/or DA. The Company's intention is to open about 300 Pizza Hut restaurants within 5 years.

In the opinion of the Management Board of AmRest there is a great potential for growing Pizza Hut brand in Central and Eastern Europe. Master-franchisee right will contribute to strengthening AmRest's leadership position of restaurant operator in the region and drive the value creation for AmRest's shareholders.

On November 30th, 2016 the Management Board of AmRest announced the signing of an assets sale and transfer agreement (the "APA"), dated November 30th, 2016, between AmRest Holdings SE ("Buyer 3") and Kentucky Fried Chicken (Great Britain) Ltd., German Branch ("Seller"). Under the terms of APA Buyer acquired 15 KFC restaurants operating in the German market. Estimated purchase price was expected at ca. EUR 10.3 million (ca. PLN 45.6 million). Final purchase price was to be determined as at the day of the transaction closing.

Estimated revenues of the restaurants in the twelve months period ended on August 31st, 2016 amounted to EUR 27.4 million (ca. PLN 121.5 million).

The parties of APA intended to close the transaction within a couple of months ("Completion 3"). The Completion 2 was contingent upon some additional conditions, including obtaining antitrust approvals, concluding additional agreements ensuring restaurants proper functioning after Completion, and lack of the material adverse change ("MAC").

The transaction was to be financed with AmRest's available cash.

In the opinion of the Management Board of AmRest, great potential for development of KFC brand in the German market, combined with the Company's over 20 years' experience in running KFC restaurants will allow AmRest to substantially increase the scale of that business within the coming years.

On March 1st, 2017 the Management Board of AmRest announced the Completion 3 on March 1st, 2017 of the APA.

As a result of the Completion 3 AmRest acquired 15 KFC restaurants operating in the German market. The purchase price amounted to EUR 10.28 million (ca. PLN 44.15 million).

All the approvals and conditions the Completion was contingent upon in accordance with the APA had been obtained and fulfilled.

On December 20th, 2016, in regards to RB 21/2014 dated April 4th, 2014, the Management Board of AmRest informed about signing on December 20th, 2016 the Annex to distribution agreement ("the Agreement PL") between AmRest's subsidiaries – AmRest Sp. z o.o., AmRest Coffee Sp. z o.o.("Polish Subsidiaries") and Quick Service Logistics Polska Sp. z o.o. sp.k. („QSL Poland").

On the basis of the Agreement PL QSL Poland deals with purchasing, warehousing and sale of products for the restaurants operated by Polish Subsidiaries in Poland.

The Annex extended the term of the Agreement PL by 3 years, i.e. to October 6th, 2023. Other conditions of the Agreement PL remain unchanged.

Extension of Agreement PL caused increase of its estimated value of about 1 billion PLN, which exceeded 10% of AmRest equity as of September 30th, 2016.

Simultaneously, in regards to RB 37/2012 dated September 18th, 2012, Management Board of AmRest informed about signing on December 20th, 2016 the Annex to distribution agreement ("the Agreement CZ") between AmRest's subsidiaries – AmRest s.r.o., AmRest Coffee s.r.o. ("the Czech Subsidiaries") and Quick Service Logistics Czech s.r.o. ("QSL Czech").

On the basis of the Agreement CZ QSL Czech deals with purchasing, warehousing and sale of products for the restaurants operated by Czech Subsidiaries in the Czech Republic.

The Annex extended the term of the Agreement CZ by 5 years, i.e. to October 31st, 2022. Other conditions of the Agreement CZ remain unchanged.

Extension of Agreement CZ resulted in increase of its estimated value of CZK 2.25 billion, being about PLN 370 million, which exceeded 10% of AmRest equity as of September 30th, 2016.

On January 25th, 2017 the Management Board of AmRest announced the signing of a Share Purchase Agreement ("SPA 2"), dated January 24th, 2017, between AmRest and Top Brands NV ("Seller"). Pursuant to SPA 2 AmRest will acquire 100% shares of Pizza Topco France SAS ("Pizza Topco") at estimated price of ca. EUR 14m (approx. PLN 61m). Final purchase price will be determined as at the day of closing of the transaction.

Pizza Topco is the exclusive master franchisee of Pizza Hut Delivery restaurants across France. At the date of the SPA 2 signing Pizza Topco operated 123 restaurants, the majority of which are managed by franchisees. The equity restaurants (7 locations) are managed by Pizza Delco France SAS ("Pizza Delco"), a company owned in 100% by Pizza Topco. In 2016 fiscal year the network generated the system sales of approx. EUR 67.6m (PLN 295.6m). The consolidated revenues of Pizza Topco amounted to ca. EUR 14.5m (approx.. PLN 63.4m).

Both parties intended to close the transaction within couple of months. The completion is contingent upon a number of conditions, such as: standard material adverse change clause ("MAC"), approval from the Supervisory Board of AmRest, signing of a master franchise agreement with YUM! Restaurant Holdings (Pizza Hut brand owner), etc.

The acquisition of Pizza Topco fits perfectly the plans of accelerated development of the Pizza Hut brand initiated by signing in August 2016 the master franchise agreement for Central and Eastern Europe countries. AmRest intends to develop in France both the Pizza Hut Delivery and Express concepts.

The Management Board is confident that the addition of Pizza Hut Delivery business in France is a great strategic move that will be accretive to AmRest shareholders.

On January 25th, 2017 the Management Board of AmRest announced signing on March 15th, 2017 the Binding Head of Terms 1 ("HoT 1") determining the key terms and conditions on, and subject to which, KFC France SAS ("KFC France") would be willing to proceed with a potential transaction with AmRest whereby (i) KFC would sell and AmRest would buy 42 equity restaurants run by KFC France ("KFC Business") in the French market, and (ii) KFC and the Company would sign a Development Agreement and Standard KFC International Franchise Agreement for each restaurant (collectively called the "Contemplated Transaction").

The purchase price for the KFC Business is subject to the results of a due diligence to be carried out by AmRest.

It is the intention of AmRest and KFC France that the final agreements (the agreements required for closing of the Contemplated Transaction) shall be signed no later than April 30th, 2017, and closing of the Contemplated Transaction, including transfer of ownership of KFC Business and payment of the purchase price shall occur no later than June 30th, 2017. If the parties fail to sign the final agreements by August 1st, 2017 the HoT 1 shall terminate immediately, unless otherwise agreed in writing by both parties.

In the opinion of the Management Board of AmRest there is a great potential for growing KFC brand in Western Europe. Acquisition of a number of KFC French restaurants will contribute to strengthening the partnership with Yum! Brands and AmRest's leadership position of restaurant operator in Europe as well as drive the value creation for AmRest's shareholders.

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

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

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

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

8. The AmRest Holdings SE Group in 2016

8.1. Planned investment activities and assessment of their feasibility

Investment activities of AmRest Group are focused on strengthening its leadership position and further expansion of scale in Europe through dynamic organic development and M&A activities. Additionally, continued improvement of operating efficiency and increased effectiveness in capital allocation positively impact long-term value creation for shareholders. The ’80/20 investment strategy’, focused on development of proven and mature brands of AmRest‘s portfolio, assumes further expansion of KFC and Starbucks brands in Europe, as well as continued roll-out of La Tagliatella restaurants in Spain.

Favorable macro trends in CE and Spain, increased traffic in restaurants of the Group and growing average spending on dining-out indicate continuation of upward trends in restaurant industry. In the light of the above, AmRest plans to increase investment activity within mentioned brands.

In 2016 AmRest opened 146 new restaurants, significantly increasing development pace vs previous years. Management of the Company recognized substantial white space for expansion within existing portfolio in current markets of operations. Improved process of site selection, decreased average cost of new openings and strengthened margins across the board translated into higher returns on invested capital. Successful roll-out of ‘lighter’ formats of KFC Kiosk, Pizza Hut Express and Pizza Hut Delivery allows to enter new segments and increase the penetration of restaurant market. All the above, combined with a solid pipeline of new openings should lead to increased pace of organic expansion in 2017.

The plan of new openings will be adjusted on an on-going basis to the current market conditions and access to attractive locations in each country. Management of the Group is very restrictive and selective in allocation of available capital to ensure minimum 20% IRR on each investment.

AmRest monitors recent developments in the M&A market for the potential acquisition that fit in the strategy of the Group. Current portfolio of the Company as well as existing markets of operation are the two filters of potential M&A activity.

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

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

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

8.2.1. External factors

The external factors include:

- competitiveness – in terms of prices, quality of service, location and quality of food,
- demographic changes,
- consumer habits and trends as to the number of people using the restaurants,
- number and location of the competitors’ restaurants,
- changes in the law and regulations which have a direct effect on the functioning of the restaurants and the employees employed therein,
- change in real estate rental costs and related costs,
- changes in the prices of ingredients used to prepare meals and changes in the prices of packaging materials,
- changes in the general economic condition in Poland, the Czech Republic, Hungary, Bulgaria, Russia, Serbia, Croatia, Romania, Slovakia, Spain, France, Germany and China.

- changes in consumer trust, the amount of disposable income and individual spending patterns,
- changes in legal and tax determinants,
- adverse changes on the financial markets.

8.2.2. Internal factors

The internal factors include:

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

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

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

9.1. Factors remaining outside the Company's control

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

9.2. Dependency on the franchisor

AmRest manages KFC, Pizza Hut, Burger King and Starbucks (in Romania, Bulgaria, Germany and Slovakia) as a franchisee, and therefore a number of factors and decisions related to the business activities conducted by AmRest depend on the limitations or specifications imposed by the franchisors or on their consent.

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

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

Franchise agreements for Starbucks stores in Romania are valid till 2023, in Bulgaria until 2027 and in Germany until 2031.

9.3. Dependency on joint venture partners

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

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

9.4. No exclusive rights

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

In the case of Starbucks restaurants, the joint venture companies are the only entities authorized to develop and run Starbucks cafés in Poland, the Czech Republic and Hungary, without exclusive rights to some institutional locations. The exclusive rights apply also to restaurants operated in Romania, Bulgaria, Germany and Slovakia.

9.5. Rental agreements and continuation options

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

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

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

9.6. Risk related to the consumption of food products

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

9.7. Risk related to keeping key personnel in the Company

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

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

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

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

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

9.10. Risk related to developing new brands

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

9.11. Risk related to opening restaurants in new countries

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

9.12. Currency risk

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

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

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

9.14. Risk of increased financial costs

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

9.15. Liquidity risk

The Company is exposed to the risk of lack of financing at the moment of maturity of bank loans and bonds. As at 31 December 2016, the Company has enough short-term assets, including cash and promised credit limits, to fulfil is liabilities due in the next 12 months.

9.16. Risk of economic slowdowns

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

9.17. Risk related to seasonality of sales

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

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

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

10. Company's strategic development directions

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

In the upcoming years, the Group plans to strengthen its leadership position of restaurant sector in Europe. The growth will be mainly driven by increased pace of new openings as well as potential M&A activities within existing portfolio of the Group.

Encouraged by favourable macro trends, solid operational performance, strong margins and improved returns on invested capital, the Company will focus on further expansion of KFC, Starbucks and La Tagliatella brands. In addition, the master-franchise agreement for development of Pizza Hut Express and Delivery formats in CE creates new white space for future growth of scale.

In a long-term perspective, the Company will continue its efforts aimed at building attractive growth platform in new markets of Europe. Strengthening the portfolio of proprietary brand will play an important role in this area.

Company's strategic development directions will be also determined by current trends in restaurant industry as well as changing patterns in consumers' behaviours. Growing share of delivery segment and development of new technologies are important factors shaping the future investment plans of the Group.

11. Management Representations

11.1. Correctness and fairness of the presented financial statements

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

11.2. Selection of the registered audit company

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

The agreement with PricewaterhouseCoopers Sp. z o.o. was signed on June 18th, 2015 and is valid until December 31st, 2017 year.

TABLE 12. REMUNERATION OF THE ENTITY ENTITLED TO AUDIT FINANCIAL STATEMENTS

PLN '000	For the period: from 01.01.2016 to 31.12.2016	from 01.01.2015 to 31.12.2015
PricewaterhouseCoopers Sp. z o.o.	**398**	**418**
Due to a contract for the review and audit of financial statements, including:		
- audit of annual financial statements	238	258
- review of financial statements	160	160
Other contracts	-	-
Other companies from the PricewaterhouseCoopers group	**2 703**	**2 117**
Due to a contract for the review and audit of financial statements, including:		
- other assurance services	1 780	1 215
- tax advisory services	913	901*
- other services	10	-

* Including PLN 747 thousand. concerning non-invoiced expenses for the year 2015 and resulting from the existing agreement

Wrocław, March 16th, 2017

Mark Chandler
AmRest Holdings SE
Board Member

Wojciech Mroczyński
AmRest Holdings SE
Board Member

Drew O'Malley
AmRest Holdings SE
Board Member

Oksana Staniszewska
AmRest Holdings SE
Board Member

Olgierd Danielewicz
AmRest Holdings SE
Board Member

AmRest Holdings SE

Directors' Report

for 2016

Supplement

16 March 2017

Appendix No. 1: The Company's shareholding structure

The shareholding structure

According to the information held by the Company, as at December 31st, 2016 (as well as at the date of submitting this annual report, March 16th, 2017) – following shareholders provided information on holding directly or indirectly (through subsidiaries) at least 5% of the number of votes at the General Shareholders' Meeting of AmRest:

TABLE 1. SHAREHOLDING STRUCTURE OF AMREST AS AT DECEMBER 31ST, 2016

Shareholders	Number of shares	Share in capital %	Number of votes at GSM	% shares at GSM
FCapital Dutch B. V.*	13 121 152	61.85%	13 121 152	61.85%
Nationale-Nederlanden OFE**	2 034 893	9.59%	2 034 893	9.59%
Gosha Holding S.à.r.l.***	1 242 056	5.85%	1 242 056	5.85%
Other shareholders	4 815 792	22.70%	4 815 792	22.70%

* FCapital Dutch B. V. is the dominant entity of FCapital Lux (previously Cullinan S.à.r.l.; holding 6 394 362 AmRest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finacces SAPI de CV is the directly dominant entity of Finaccess Capital, S.A. de C.V. and a subsidiary of Grupo Far-Luca, S.A. de C.V. The directly dominant person of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González, is the Supervisory Board member of AmRest.
** The previous name: ING OFE
*** Gosha Holding S.à.r.l. is an entity closely associated with Mr. Henry McGovern and Mr. Steven Kent Winegar, members of the Supervisory Board of AmRest

Changes in the shareholding structure

According to the best knowledge of AmRest, in the period from 1 January 2016 to the date of submitting this report (March 16th, 2017), there were no changes in the shareholding structure of AmRest other than those described below.

Changes in the shareholding with respect to the shareholders holding over 5% of votes at the General Meeting of Shareholders

On January 8th, 2016 the Management Board of AmRest informed that it received on the same day a notification from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of Otwarty Fundusz Emerytalny PZU „Złota Jesień" („OFE PZU"), that as a result of a sale transaction executed at the Warsaw Stock Exchange on December 17th, 2015 OFE PZU reduced the previously held total number of votes at the Company's AGM by at least 2% and as at January 8th, 2016 held 2 306 671 shares in AmRest, which constituted 10.87% of the Company's registered capital and entitled OFE PZU to 2 306 671 votes, i.e. 10.87% of the total number of votes at the Company's AGM.

Prior to the transaction, OFE PZU held 2 411 672 shares in AmRest, which constituted 11.37% of the Company's registered capital and entitled to 2 411 672 votes, i.e. 11.37% of the total number of votes at the Company's AGM.

On January 15th, 2016 the Management Board of AmRest informed that it received on the same day a notification from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of Otwarty Fundusz Emerytalny PZU „Złota Jesień" („OFE PZU"), that as a result of a sale transaction executed at the Warsaw Stock Exchange on January 12th, 2016 OFE PZU reduced the total number of votes at the Company's AGM to less than 10% and as at January 15th, 2016 held 2 120 901 shares in AmRest, which constituted 9.998% of the Company's registered capital and entitled OFE PZU to 2 120 901 votes, i.e. 9.998% of the total number of votes at the Company's AGM.

Prior to the transaction, OFE PZU held 2 123 901 shares in AmRest, which constituted 10.012% of the Company's registered capital and entitled to 2 123 901 votes, i.e. 10.012% of the total number of votes at the Company's AGM.

On July 12th, 2016 FCapital Dutch B.V. ("FCapital", "Offeror") announced the tender offer to subscribe for shares in the Company ("Tender Offer").

Pursuant to the terms of the Tender Offer, a company CULLINAN, S.A R.L. with its seats registered in Capellen (Luxemburg) („Cullinan", „Acquirer"), being a 100% subsidiary of FCapital, acting on the basis of art. 73 paragraph 1 of the Act on Public Offering, intends to acquire 7,274,379 (seven million two hundred seventy four thousand three hundred seventy nine) ordinary bearer shares of AmRest (nominal value EUR 0.01 each), entitling to 7,274,379 (seven million two hundred seventy four thousand three hundred seventy nine) votes at the General Meeting of the Company and representing 34.29% of the share capital of the Company and 34.29% of the total number of votes at the General Meeting of the Company.

The price proposed in the Tender Offer equaled PLN 215 (two hundred and fifteen zloty) for each share of AmRest

The subscription period for shares under the Tender Offer lasts from August 1st to 16th, 2016.

Cullinan, together with its parent company FCapital, held 6,726,790 (six million seven hundred twenty-six thousand seven hundred ninety) shares of AmRest, entitling to 6,726,790 (six million seven hundred twenty-six thousand seven hundred ninety) votes at the General Meeting of the Company and representing 31.71% of the share capital of the Company and 31.71% of the total number of votes at the General Meeting of the Company.

As a result of the tender, Cullinan intended to hold, together with FCapital, 14,001,169 (fourteen million one thousand one hundred sixty-nine) shares of AmRest, entitling to 14,001,169 (fourteen million one thousand one hundred sixty-nine) votes at the General Meeting of the Company and representing 66% of the share capital of the Company and 66% of the total number of votes at the General Meeting of the Company.

According to the Tender Offer, Cullinan would be the only acquirer of AmRest shares in the process of the tender.

Pursuant to the terms of the Tender Offer, completion of the tender was subject to receiving the unconditional approval of antitrust authorities for the sale of AmRest shares.

Pursuant to the terms of the Tender Offer, the intention of the Offeror was to support growth of AmRest using all sources of available capital, including reinvestment of prior periods' profits and financial debt. Growth of AmRest was planned to be supported by acquisitions of new brands and concepts, development of new concepts as well as expansion of existing brands and concepts in the current markets of AmRest's operation and new markets.

As a result of the Tender Offer, the Offeror intended to increase its stake at AmRest to 66% and hold the majority position in the shareholding structure of the Company, as well as increase its presence in the Supervisory Board of AmRest, which shall facilitate the realization of abovementioned growth strategy.

On July 27th, 2016 the Management Board of AmRest Holdings SE, acting in accordance with Art. 80 Sec. 1 and 3 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, presented the Statement of the Management Board regarding the Tender Offer.

In order to form its opinion, the Management Board of AmRest analyzed the following information:

a) terms of the Tender Offer,

b) review of the market value of AmRest's shares on Warsaw Stock Exchange ("WSE") during the period of six months preceding the announcement of the Tender Offer,

c) consolidated financial statements of AmRest for previous years and Q1 2016.

In order to determine whether the price proposed in the Tender Offer fully reflected the fair value of the Company, the Management Board of AmRest, acting on the basis of art. 80 paragraph 3 of the Act on Public Offering, asked KPMG Advisory Sp. z o.o. Sp. k. („KPMG”) to prepare an independent opinion on the price proposed in the Tender Offer (“Fairness Opinion”).

In the opinion of the Management Board of AmRest:

- Strategic plans of the Offeror were aligned with the strategy and current development directions of the Company and should support AmRest’s aspiration of building its leadership position in the European restaurant markets;

- Terms of the Tender Offer did not suggest any major change in the profile of AmRest’s operation.

- Successful completion of the Tender Offer was not expected to have negative impact on the Company.

- Apart from the quoted terms, the Tender Offer did not include any information relevant to assess the impact of the Tender Offer on Company’s employment and the place of the Company’s business. The Management Board of AmRest could not form a clear-cut opinion about the impact of the completion of the Tender Offer on Company’s employment, however based on the quoted strategic plans of the Offeror it did not expect any negative influence of the tender on the employment of AmRest. At the same, the Management Board did not expect any changes as regards the place of the Company's business.

According to the Fairness Opinion prepared by KPMG on 27th July 2016, the price proposed in the Tender Offer was not within the range of fair value of 100% of AmRest shares outstanding as of the date of the Opinion (on a per share pro rata basis).

In the view of the above the Management Board of AmRest was of the opinion that the price proposed in the Tender Offer did not reflect the fair value of the Company.

On September 27th, 2016 the Management Board of AmRest informed that it received on September 26th, 2016 a notification from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of Otwarty Fundusz Emerytalny PZU „Złota Jesień” („OFE PZU”), that as a result of a sale transaction of 1 692 191 (one million six hundred ninety-two thousand one hundred and ninety-one) shares of the Company executed at the Warsaw Stock Exchange on September 21st, 2016 in response to the call for the sale of AmRest shares announced by FCapital Dutch B.V., OFE PZU did not hold any shares of the Company.

Prior to the transaction, OFE PZU held 1 692 191 (one million six hundred ninety-two thousand one hundred and ninety-one) AmRest shares, which constituted 7.98% of the Company’s registered capital and entitled to 1 692 191 votes, i.e. 7.98% of the total number of votes at the Company’s AGM.

OFE PZU also informed that:

- it did not have any subsidiaries which hold shares of AmRest,
- there was no situation referred to in article 69 paragraph 4 point 6 of Act on public offering, conditions governing the introduction of financial instruments to organized trading and public companies dated July 29th 2005,
- it did not own the financial instruments referred to in article 69b paragraph 1 item 1) and 2) of above mentioned Act.

On September 28th, 2016 the Management Board of AmRest informed that it received on September 27th, 2016 a notification from Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK („Aviva OFE”), that as a result of the response to the call to subscribe for sale of AmRest shares announced by FCapital Dutch B.V. and the settlement on September 23rd, 2016 the sale of shares of the Company, Aviva OFE reduced its share in the total number of votes in the Company to below 5%.

Prior to the transaction (as of September 22nd, 2016) Aviva OFE held 1 811 370 AmRest shares, which constituted 8.54% of the Company’s share capital and entitled to 1 811 370 votes at the General Meeting of the Company, i.e. 8.54% of the total number of votes.

After the sale transactions (as of September 23rd, 2016) Aviva OFE held 811 370 shares of the Company, representing

3.82% of share capital and entitling to 811 370 votes at the General Meeting of the Company, which constituted 3.82 % of total number of votes.

On September 28th, 2016 the Management Board of AmRest informed that it received on the same day a notification from:

a) Cullinan S.à.r.l. (hereinafter referred as the "Cullinan"),
b) FCapital Dutch, B.V. (hereinafter referred as the "FCapital"),
c) Inmobiliaria Tabga, S.A. de C.V. (hereinafter referred as the "Tabga"),
d) Finaccess Capital, S.A. de C.V. (hereinafter referred as the "Finaccess"),
e) Grupo Finaccess S.A.P.I. de C.V. (hereinafter referred as the "Grupo Finaccess"),
f) Grupo Far-Luca, S.A. de C.V. (hereinafter referred as the "Grupo Far-Luca"),
g) Carlos Fernández González (hereinafter referred as "Mr. Fernández"),

that on September 22nd, 2016 Grupo Far-Luca, as a result of an acquisition of 63.82% shares in Grupo Finaccess, indirectly acquired, through its subsidiaries Grupo Finaccess, Finaccess, Tabga and FCapital 6 726 790 shares of AmRest representing app. 31.71% of the total number of shares of the Company, which entitled to exercise 6 726 790 votes at the Company's General Meeting of Shareholders, constituting app. 31.71% of total number of votes at the Company's General Meeting of Shareholders. Consequently its dominant entity Mr. Fernández also indirectly acquired through its subsidiaries Grupo Far-Luca, Grupo Finaccess, Finaccess, Tabga and FCapital 6 726 790 shares of the Company representing app. 31.71% of the total number of shares of the Company, which entitled to exercise 6 726 790 votes at the Company's General Meeting of Shareholders, constituting app. 31.71% of total number of votes at the Company's General Meeting of Shareholders.

Furthermore, on September 23rd, 2016, as a result of the settlement of the tender offer for sale of shares in the Company announced by FCapital (the "Tender Offer")

(i) Cullinan directly acquired 6 394 362 shares of the Company representing app. 30.14% of the total number of shares of the Company, which entitled to exercise 6 394 362 votes at the Company's General Meeting of Shareholders, constituting app. 30.14% of total number of votes at the Company's General Meeting of Shareholders;

(ii) FCapital (directly dominant entity of Cullinan),
Tabga (directly dominant entity of FCapital),
Finaccess (directly dominant entity of Tabga),
Grupo Finaccess (directly dominant entity of Finaccess),
Grupo Far-Luca (directly dominant entity of Grupo Finaccess),
and Mr. Fernández (directly dominant person of Grupo Far-Luca)
indirectly acquired 6 394 362 shares of the Company representing app. 30.14% of the total number of shares of the Company, which entitled to exercise 6 394 362 votes at the Company's General Meeting of Shareholders, constituting app. 30.14% of total number of votes at the Company's General Meeting of Shareholders.

As a result of the Tender Offer:

(i) Cullinan directly increased its share in the total amount of votes at the Company's General Meeting of Shareholders up to the amount of app. 30.14%, what caused crossing threshold of 30.14% of total number of votes thereat;

(ii) FCapital, Tabga, Finaccess, Grupo Finacces, Grupo Far-Luca and Mr. Fernández indirectly increased their share in the total amount of votes at the Company's General Meeting of Shareholders up to the amount of app. 61.85%, what caused crossing threshold of 61.85% of total number of votes thereat.

As a result of the settlement of the Tender Offer:

a) Cullinan directly held 6 394 362 shares of the Company representing app. 30.14% of the total number of shares of the Company, which entitled to exercise 6 394 362 votes at the Company's General Meeting of Shareholders, constituting app. 30.14% of total number of votes at the Company's General Meeting of Shareholders;

b) FCapital held 13 121 152 shares of the Company representing app. 61,85% of the total number of shares of the Company, which entitled to exercise 13 121 152 votes at the Company's General Meeting of Shareholders, constituting app. 61,85% of total number of votes at the Company's General Meeting of Shareholders, out of which:

(i) it directly held 6 726 790 shares of the Company representing app. 31.71% of the total number of shares of the Company, which entitled to exercise 6 726 790 votes at the Company's General Meeting of Shareholders, constituting app. 31.71% of total number of votes at the Company's General Meeting of Shareholders,

(ii) it indirectly (through Cullinan) held 6 394 362 shares of the Company representing app. 30.14% of the total number of shares of the Company, which entitled to exercise 6 394 362 votes at the Company's General Meeting of Shareholders, constituting app. 30.14% of total number of votes at the Company's General Meeting of Shareholders;

c) Tabga, Finaccess, Grupo Finaccess, Grupo Far-Luca and Mr. Fernández

indirectly held 13 121 152 shares of the Company representing app. 61.85% of the total number of shares of the Company, which entitled to exercise 13 121 152 votes at the Company's General Meeting of Shareholders, constituting app. 61.85% of total number of votes at the Company's General Meeting of Shareholders.

Prior to acquisition of shares in Grupo Finaccess, Grupo Far-Luca did not hold directly or indirectly any shares of the Company and Mr. Fernández indirectly (through Grupo Finaccess, FCapital, Tabga and Finaccess) held 6 726 790 shares of the Company representing app. 31.71% of the total number of shares of the Company, which entitled to exercise 6 726 790 votes at the Company's General Meeting of Shareholders, constituting app. 31.71% of total number of votes at the Company's General Meeting of Shareholders.

Cullinan notified that it did not have any controlled entities.

FCapital further notified that its controlled entities, other than Cullinan, did not hold any shares of the Company.

Tabga, Finaccess, Grupo Finaccess, Grupo Far-Luca and Mr. Fernández further notified that, with respect of each of them, their controlled entities, other than Cullinan and FCapital, did not hold any shares of the Company.

Additionally, Cullinan, FCapital, Tabga, Finaccess, Grupo Finaccess, Grupo Far-Luca and Mr. Fernández informed that, with respect of each of them, there were no persons or entities referred to in Article 87 section 1 point 3 c) of the Act on public offering, conditions governing the introduction of financial instruments to organized trading and public companies dated July 29th 2005.

Furthermore, Cullinan, FCapital, Tabga, Finaccess, Grupo Finaccess, Grupo Far-Luca and Mr. Fernández informed that, with respect of each of them, they did not hold, acquire or dispose any instruments referred to in Article 69b section 1 of the above mentioned Act on public offering.

Full content of the notification from the shareholder was included in regulatory announcement RB 133/2016 dated September 28th, 2016.

On November 7th, 2016 the Management Board of AmRest informed that it received on the same day a notification that the business name of one of AmRest shareholders, Cullinan S.à.r.l., a company organized under the laws of the Grand Duchy of the Luxembourg, with its registered office in Luxembourg, L-8308 Capellen, 75, Parc d'Activités, registered with the Luxembourgish Commercial Registry (Registre de Commerce et des Sociétés) under number B195486, was changed on November 3rd, 2016 into FCapital Lux S.a.r.l.

On September 29th, 2016 the Management Board of AmRest informed that it received on the same day a notification from Nationale-Nederlanden Otwarty Fundusz Emerytalny („Nationale-Nederlanden"), that as a result of the response to the call to subscribe for sale of AmRest shares announced by FCapital Dutch B.V., Nationale-Nederlanden sold shares of the Company and thereby reduced its shareholding in AmRest to less than 10% of votes at the General Meeting of Shareholders. The settlement date of the transaction was September 23rd, 2016.

Prior to the transaction (as of September 22nd, 2016) Nationale-Nederlanden held 2 284 893 (two million two hundred eighty-four thousand eight hundred ninety-three) AmRest shares, which constituted 10.77% of the Company's share capital and entitled to 2 284 893 (two million two hundred eighty-four thousand eight hundred ninety-three) votes at the General Meeting of the Company, i.e. 10.77% of the total number of votes.

After the sale transactions (as of September 23rd, 2016) Nationale-Nederlanden held 2 034 893 (two million thirty-four thousand eight hundred ninety-three) shares of the Company, representing 9.59% of share capital and entitling to 2 034 893 (two million thirty-four thousand eight hundred ninety-three) votes at the General Meeting of the Company, which constituted 9.59% of total number of votes.

On December 13th, 2016 the Management Board of AmRest informed that it received on December 12th, 2016 a notification from:

1. Gosha Holding S.à.r.l., a company organized under the laws of the Grand Duchy of the Luxembourg, with its registered office in Luxembourg, L-1528, 8A Boulevard de la Foire, registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés) under number B202224 (hereinafter referred as the "Gosha");
2. PCMMM S.à r.l., a company organized under the laws of the Grand Duchy of the Luxembourg, with its registered office in Luxembourg, L-1528, 8A Boulevard de la Foire, registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés) under number B207675 (hereinafter referred as the "PCMMM"),
3. Metropolitan Properties International Sp. z o.o., a company organized under the laws of Poland, with its registered office at Pl. Grunwaldzki 25-27, 50-365 Wroclaw, Poland, registered with the National Court Registry under number 0000190539 (hereinafter referred as the "MPI"),
4. Małgorzata McGovern, holding a Polish Passport (hereinafter referred as "Ms. McGovern");
5. Henry Joseph McGovern, holding an American Passport (hereinafter referred as "Mr. McGovern"),

that on December 8th, 2016, as a result of an acquisition of 622,735 shares in AmRest executed under a sale agreement Gosha directly acquired 622,735 shares of the Company, representing app. 2.94% of the total number of shares of the Company, which entitled to exercise 622,735 votes at the Company's General Meeting of Shareholders, constituting app. 2.94% of total number of votes at the Company's General Meeting of Shareholders (the "Transaction") and, as a result, Gosha directly increased its share in the total amount of votes at the Company's General Meeting of Shareholders up to the amount of app. 5.85%, what caused crossing threshold of 5.85% of total number of votes thereat.

Prior to the Transaction Gosha directly held 619,321 shares of the Company representing app. 2.92% of the total number of shares of the Company, which entitled to exercise 619,321 votes at the Company's General Meeting of Shareholders, constituting app. 2.92% of total number of votes at the Company's General Meeting of Shareholders.

After execution of the Transaction Gosha directly held 1,242,056 shares of the Company representing app. 5.85% of the total number of shares of the Company, which entitled to exercise 1,242,056 votes at the Company's General Meeting of Shareholders, constituting app. 5.85% of total number of votes at the Company's General Meeting of Shareholders.

Furthermore, AmRest was notified that on December 8th, 2016 as a result of changes in the structure of shares in the Gosha Articles of Association:

1. PCMMM became a direct dominant entity of Gosha and indirectly acquired 1,242,056 shares of the Company representing app. 5.85% of the total number of shares of the Company, which entitled to exercise 1,242,056 votes at the Company's General Meeting of Shareholders, constituting app. 5.85% of total number of votes at the Company's General Meeting of Shareholders;
2. MPI (directly dominant entity of PCMMM) became an indirect dominant entity of Gosha and indirectly acquired (through Gosha and PCMMM) 1,242,056 shares of the Company representing app. 5.85% of the total number of shares of the Company, which entitled to exercise 1,242,056 votes at the Company's General Meeting of Shareholders, constituting app. 5.85% of total number of votes at the Company's General Meeting of Shareholders;

3. Ms. McGovern and Mr. McGovern (dominant persons of MPI) became indirect dominant entities of Gosha and indirectly acquired (through Gosha, PCMMM and MPI) 1,242,056 shares of the Company representing app. 5.85% of the total number of shares of the Company, which entitled to exercise 1,242,056 votes at the Company's General Meeting of Shareholders, constituting app. 5.85% of total number of votes at the Company's General Meeting of Shareholders.

Prior to the amendments to the Gosha Articles of Associations, PCMMM MPI, Ms. McGovern or Mr. McGovern were not the dominant entities of Gosha and did not held any shares of the Company.

After amendments in the Gosha Articles of Association:

1. PCMMM indirectly (through Gosha) held 1,242,056 shares of the Company representing app. 5.85% of the total number of shares of the Company, which entitled to exercise 1,242,056 votes at the Company's General Meeting of Shareholders, constituting app. 5.85% of total number of votes at the Company's General Meeting of Shareholders;
2. MPI indirectly (through Gosha and PCMMM) held 1,242,056 shares of the Company representing app. 5.85% of the total number of shares of the Company, which entitled to exercise 1,242,056 votes at the Company's General Meeting of Shareholders, constituting app. 5.85% of total number of votes at the Company's General Meeting of Shareholders;
3. Ms. McGovern and Mr. McGovern indirectly (through Gosha, PCMMM and MPI) held 1,242,056 shares of the Company representing app. 5.85% of the total number of shares of the Company, which entitled to exercise 1,242,056 votes at the Company's General Meeting of Shareholders, constituting app. 5.85% of total number of votes at the Company's General Meeting of Shareholders.

Gosha further notified that it did not have any controlled entities.

PCMMM further notified that its controlled entities, other than Gosha, did not hold any shares of the Company.

MPI further notified that its controlled entities, other than Gosha, did not hold any shares of the Company.

Ms. McGovern and Mr. McGovern notified that their controlled entities, other than Gosha, did not hold (directly) any shares of the Company.

Additionally, Gosha, PCMMM, MPI, Ms. McGovern and Mr. McGovern informed that, with respect of each of them, there were no persons or entities referred to in Article 87 section 1 point 3 c) of the Act on public offering, conditions governing the introduction of financial instruments to organized trading and public companies dated July 29th 2005.

Furthermore, Gosha, PCMMM, MPI, Ms. McGovern and Mr. McGovern informed that, with respect of each of them, they did not hold, acquire or dispose any instruments referred to in Article 69b.1 of the above mentioned Act on public offering. In aggregate they held, directly or indirectly, 1,242,056 shares of the Company representing app. 5.85% of the total number of shares of the Company, which entitled to exercise 1,242,056 votes at the Company's General Meeting of Shareholders, constituting app. 5.85% of total number of votes at the Company's General Meeting of Shareholders.

Changes in the number of shares held by members of AmRest Management and Supervisory Boards

According to the best knowledge of AmRest, there were six members of Management Board, who in 2016 owned the Issuer's shares: Mr. Wojciech Mroczyński, Mr. Jacek Trybuchowski, Mr. Mark Chandler, Mr. Drew O'Malley, Mrs. Oksana Staniszewska and Mr. Olgierd Danielewicz

As at December 31st, 2015 Mr. Wojciech Mroczyński held 12 315 shares of the Company with a total nominal value of EUR 123.15. As at December 31st, 2016 (and simultaneously on the date of publication of this report) Mr. Mroczyński held 14 shares of the Company with a total nominal value of EUR 0.14.

As at December 31st, 2015 Mr. Jacek Trybuchowski held 34 758 shares of the Company with a total nominal value of EUR 347.58. As at December 31st, 2016 (and simultaneously on the date of publication of this report) Mr. Trybuchowski held 48 505 shares of the Company with a total nominal value of EUR 485.05.

As at December 31st, 2015 Mr. Drew O'Malley held 20 298 any shares of AmRest with a total nominal value of EUR 202.98. As at December 31st, 2016 (and simultaneously on the date of publication of this report) Mr. O'Malley didn't hold any shares of the Company.

As at December 31st, 2015 Mr. Mark Chandler didn't hold any shares of the Company. As at December 31st, 2016 he held 38 000 shares of AmRest with a total nominal value of EUR 380.00. As at the date of publication of this report Mr. Chandler holds 25 983 shares of the Company with a total nominal value of EUR 259.83.

As at December 31st, 2015 Mrs. Oksana Staniszewska held 2 020 shares of the Company with a total nominal value of EUR 20.20. As at December 31st, 2016 (and simultaneously on the date of publication of this report) Mrs. Staniszewska held as before 2 020 shares of the Company with a total nominal value of EUR 20.20.

As at December 31st, 2015 Mr. Olgierd Danielewicz held 4 800 shares of the Company with a total nominal value of EUR 48.00. As at December 31st, 2016 he held 21 508 shares of the Company with a total nominal value of EUR 215.08. As at the date of publication of this report Mr. Danielewicz holds 27 347 shares of the Company with a total nominal value of EUR 273.47.

Pursuant to the information available to the Company, the only Supervisory Board member, who owned the Issuer's shares in 2016 were Mr. Henry McGovern and Mr. Steven Kent Winegar.

As at December 31st, 2015 Mr. Henry McGovern held (personally and through closely related entities) 828 056 shares of the Company with a total nominal value of EUR 8 280.56. As at December 31st, 2016 (and simultaneously on the date of publication of this report) he didn't hold personally any shares of the Company. As a dominant entity of Gosha Holdings S.a.r.l. Mr. McGovern held indirectly 1 242 056 shares of AmRest with a total nominal value of EUR 12 420.56.

As at December 31st, 2015 Mr. Steven Kent Winegar held (indirectly by a closely related person) 404 000 shares of the Company with a total nominal value of EUR 4 040.00.

As at December 31st, 2016 2016 (and simultaneously on the date of publication of this report) Mr. McGovern and Mr. Steven Kent Winegar held the Company's shares only through closely associated entity - Gosha Holdings S.a.r.l.

Transactions on AmRest shares executed by persons having access to confidential information

On January 8th, 2016 AmRest informed that it was notified on the same day by a member of the Company's Supervisory Board ("Supervisory Board Member"), being a person having access to confidential information of AmRest, that on January 5th, 2016 the entity controlled by a person closely related to the Supervisory Board Member (the "Company A") contributed 404 000 shares of the Issuer as capital to its 100% subsidiary (the "Company B"). The value of one share was established at PLN 188.20. The transaction was executed outside the regulated market in Luxembourg.
On the same day, January 5th, 2016, the Company B contributed 404 000 shares of AmRest as capital to its subsidiary (the "Company C"). The value of one share was established at PLN 188.20. The transaction was executed outside the regulated market in Luxembourg.
As a result of above mentioned transactions, the Company C, being the indirect subsidiary of the Company A, which is directly controlled by a person closely related to the Supervisory Board Member, became an owner of 404 000 shares of the Issuer.

On January 11th, 2016 AmRest informed that it was notified on the same day by a member of the Company's Supervisory Board ("Supervisory Board Member"), being a person having access to confidential information of AmRest, that on January 5th, 2016 the entity in which a person closely related to the Supervisory Board Member holds the managing function (the "Entity") came into possession of 404 000 shares of the Issuer. The shares were contributed to the Entity as capital. The value of one share was established at PLN 188.20. The transaction was executed outside the regulated market in Luxembourg.

On January 14th, 2016 AmRest informed that it received on the same day a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about a sale of 1 258 AmRest shares at the average price of PLN 181.38 per share executed on January 8th, 2016. The transaction was executed at the Warsaw Stock Exchange.

On May 4th, 2016 the Management Board of AmRest informed that it received on the same day a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about:

- a sale of 15 290 AmRest shares at the price of PLN 223.14 per share executed on April 29th, 2016,
- a sale of 3 750 AmRest shares at the price of PLN 223.18 per share executed on May 2nd, 2016.

The transactions were executed at the Warsaw Stock Exchange.

On May 4th, 2016 the Management Board of AmRest also informed that it received on the same day a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about:

- a sale of 1 300 AmRest shares at the price of PLN 223.40 per share executed on April 29th, 2016,
- a sale of 843 AmRest shares at the price of PLN 223.25 per share executed on May 2nd, 2016.

The transactions were executed at the Warsaw Stock Exchange.

On May 5th, 2016 the Management Board of AmRest informed that it received on the same day a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about:

- a sale of 7 500 AmRest shares at the price of PLN 222.88 per share executed on April 29th, 2016,
- a sale of 1 132 AmRest shares at the price of PLN 223.23 per share executed on May 4th, 2016.

The transactions were executed at the Warsaw Stock Exchange.

On May 10th, 2016 the Management Board of AmRest informed that it received on the same day a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about a sale of 229 AmRest shares at the price of PLN 223.25 per share executed on May 4th, 2016. The transaction was executed at the Warsaw Stock Exchange.

On May 13th, 2016 the Management Board of AmRest informed that it received on the same day a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about:

- a sale of 1 173 AmRest shares at the price of PLN 220.00 per share executed on May 9th, 2016. The transaction was executed at the Warsaw Stock Exchange.
- a sale of 30 153 AmRest shares at the average price of PLN 220.10 per share executed on May 10th, 2016. The transaction was executed at the Warsaw Stock Exchange.
- a purchase of 15 618 AmRest shares on May 11th, 2016. The shares were transferred free of charge as a result of exercising AmRest management options. The transaction was executed outside the regulated marked.

On May 13th, 2016 the Management Board of AmRest also informed that it received on the same day a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about:

- a purchase of 27 331 AmRest shares on May 11th, 2016. The shares were transferred free of charge as a result of exercising AmRest management options. The transaction was executed outside the regulated marked.
- a sale of 9 107 AmRest shares at the price of PLN 220.08 per share executed on May 11th, 2016. The transaction was executed at the Warsaw Stock Exchange.
- a sale of 18 224 AmRest shares at the average price of PLN 220.03 per share executed on May 12th, 2016. The transaction was executed at the Warsaw Stock Exchange.

On May 18th, 2016 the Management Board of AmRest informed that it received on the same day a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about a sale of 15 000 AmRest shares at the price of PLN 220.50 per share executed on May 12th, 2016. The transaction was executed at the Warsaw Stock Exchange.

On May 20th, 2016 the Management Board of AmRest informed that it received on the same day a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about:

- a sale of 1 000 AmRest shares at the price of PLN 224.05 per share executed on May 16th, 2016. The transaction was executed at the Warsaw Stock Exchange.
- a sale of 2 683 AmRest shares at the average price of PLN 227.22 per share executed on May 17th, 2016. The transaction was executed at the Warsaw Stock Exchange.
- a purchase of 19 576 AmRest shares on May 19th, 2016. The shares were transferred free of charge as a result of exercising AmRest management options. The transaction was executed outside the regulated marked.
- a sale of 1 000 AmRest shares at the price of PLN 234.90 per share executed on May 19th, 2016. The transaction was executed at the Warsaw Stock Exchange.

On May 25th, 2016 the Management Board of AmRest informed that it received on the same day a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about a sale of 2 799 AmRest shares at the price of PLN 230.44 per share executed on May 20th, 2016. The transaction was executed at the Warsaw Stock Exchange.

On May 31st, 2016 the Management Board of AmRest informed that it received on the same day a notice from a member of the Management Board of AmRest subsidiary, being a person having access to confidential information of the Company, about a purchase of 690 AmRest shares at the average price of PLN 77.29 per share executed on May 25th, 2016. The transaction was conducted outside the regulated marked as a result of exercising AmRest management options.

On May 31st, 2016 the Management Board of AmRest also informed that it received on the same day a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about:

- a sale of 1 194 AmRest shares at the price of PLN 233.00 per share executed on May 25th, 2016,
- a sale of 15 AmRest shares at the price of PLN 234.95 per share executed on May 27th, 2016.

The transactions were executed at the Warsaw Stock Exchange.

On June 6th, 2016 the Management Board of AmRest informed that it received on the same day a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about:

- a sale of 1 681 AmRest shares at the price of PLN 234.35 per share executed on May 31st, 2016,
- a sale of 2 000 AmRest shares at the price of PLN 229.00 per share executed on June 3rd, 2016,
- a sale of 4 123 AmRest shares at the price of PLN 229.27 per share executed on June 6th, 2016.

The transactions were executed at the Warsaw Stock Exchange.

On June 9th, 2016 the Management Board of AmRest informed that it received on the same day a notice from a member of the Company's Supervisory Board, being a person having access to confidential information of AmRest, about a purchase of 10 000 AmRest shares on June 7th, 2016, at the price of PLN 48.40 per share. The transaction was executed outside the regulated marked, being execution of AmRest management options.

On June 13th, 2016 the Management Board of AmRest informed that it received on the same day a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about a sale of 6 616 AmRest shares executed at the at the average price of PLN 231.92 per share executed on June 8th, 2016. The transaction was executed at the Warsaw Stock Exchange.

On June 30th, 2016 the Management Board of AmRest informed that it received on June 29th, 2016 a notice from a member of the Company's Management Board, being a person having access to confidential information of AmRest, about a purchase of 40 000 AmRest shares at the price of PLN 83.43 per share executed on June 23rd, 2016. The transaction was executed outside the regulated marked as a result of exercising AmRest management options.

On July 4th, 2016 the Management Board of AmRest informed that it received on the same day a notice from Mr. Zbigniew Cylny - a member of the Management Board of AmRest subsidiary, being a person discharging managerial responsibilities in the Company, about a sale of 500 AmRest shares at the average price of PLN 217.00 per share executed on July 1st, 2016. The transaction was executed at the Warsaw Stock Exchange.

On July 7th, 2016 the Management Board of AmRest informed that it received on the same day a notice from Mr. Mark Chandler - a member of the Company's Management Board, about

- a sale of 851 AmRest shares at the average price of PLN 216.15 per share executed on July 5th, 2016,
- a sale of 12 110 AmRest shares at the average price of PLN 214.83 per share executed on July 6th, 2016.

The transactions were executed at the Warsaw Stock Exchange.

On July 11th, 2016 the Management Board of AmRest informed that it received on the same day a notice from Mr. Mark Chandler - a member of the Company's Management Board, about

- a sale of 12 000 AmRest shares at the average price of PLN 215.46 per share executed on July 7th, 2016,
- a sale of 10 591 AmRest shares at the average price of PLN 223.63 per share executed on July 8th, 2016.

The transactions were executed at the Warsaw Stock Exchange.

On July 13th, 2016 the Management Board of AmRest informed that it received on the same day a notice from Mr. Mark Chandler - a member of the Company's Management Board, about

- a sale of 1 180 AmRest shares at the average price of PLN 227.73 per share executed on July 11th, 2016,
- a sale of 3 268 AmRest shares at the average price of PLN 227.31 per share executed on July 12th, 2016.

The transactions were executed at the Warsaw Stock Exchange.

On August 24th, 2016 AmRest informed that it received on the same day a notice from Mr. Olgierd Danielewicz - a member of the Company's Management Board, about a sale of 4 800 AmRest shares at the average price of PLN 252.57 per share executed on August 23rd, 2016. The transactions were executed at the Warsaw Stock Exchange.

On September 15th, 2016 AmRest informed that it received on the same day a notice from Mr. Olgierd Danielewicz - a member of the Company's Management Board, about a purchase of 10 957 AmRest executed on September 13th, 2016. The shares were transferred free of charge as a result of exercising AmRest management options. The transaction was executed outside the regulated marked.

On September 16th, 2016 AmRest informed that it received on the same day a notice from Mr. Wojciech Mroczyński - a member of the Company's Management Board, about a purchase of 2 473 AmRest executed on September 15th, 2016. The shares were transferred free of charge as a result of exercising AmRest management options. The transaction was executed outside the regulated marked.

On September 22nd, 2016 AmRest informed that it received on September 21st, 2016 a notice from Mr. Jacek Trybuchowski - a member of the Company's Management Board, about a purchase of 7 355 AmRest at the price of PLN 92.60 per share executed on September 20th, 2016. The transaction was executed outside the regulated marked as a result of exercising AmRest management options.

On September 22nd, 2016 AmRest informed that it received on the same day a notice from Mr. Mark Chandler - a member of the Company's Management Board, about a purchase of 11 032 AmRest at the price of PLN 92.60 per share executed on September 20th, 2016. The transaction was executed outside the regulated marked as a result of exercising AmRest management options.

On September 23rd, 2016 AmRest informed that it received on the same day a notice from Mr. Wojciech Mroczyński - a member of the Company's Management Board, about a sale of 2 473 AmRest executed on September 21st, 2016 at the price of PLN 255.00 per share. The transaction was executed at the Warsaw Stock Exchange.

On September 26th, 2016 AmRest informed that it received on the same day a notice from Mrs. Renata Danielewicz, being a person closely associated with Mr. Olgierd Danielewicz – a member of the Company's

Management Board, about a purchase of 2 574 AmRest shares executed on September 23rd, 2016. The shares were transferred free of charge as a result of exercising AmRest management options. The transaction was executed outside the regulated marked.

On September 30th, 2016 AmRest informed that it received on the same day a notice from Mr. Mark Chandler - a member of the Company's Management Board, about a sale of 1 000 AmRest shares at the price of PLN 255.00 per share executed on September 26th, 2016. The transaction was executed at the Warsaw Stock Exchange.

On October 19th, 2016 AmRest informed that it received on the same day a notice from Mr. Jacek Trybuchowski - a member of the Company's Management Board, about a purchase of 19 310 AmRest at the price of PLN 92.60 per share executed on October 18th, 2016. The transaction was executed outside the regulated marked as a result of exercising AmRest management options.

On December 6th, 2016 AmRest informed that it received on the same day a notice from Mr. Mark Chandler - a member of the Company's Management Board, about a sale of 1 000 AmRest shares at the price of PLN 268.00 per share executed on December 2nd, 2016. The transaction was executed at the Warsaw Stock Exchange.

On December 8th, 2016 AmRest informed that it received on the same day a notice from Metropolitan Properties International Sp. z o.o., being a person closely associated with Mr. Henry McGovern – a member of the Company's Supervisory Board, about a disposal (through in-kind contribution) of 215 321 AmRest shares at the price of PLN 285.00 per share executed on December 7th, 2016. The transaction was executed outside the regulated marked.

On December 8th, 2016 AmRest informed that it received on the same day a notice from PCMMM S.a.r.l., being a person closely associated with Mr. Henry McGovern – a member of the Company's Supervisory Board, about:

- an acquisition (through in-kind contribution) of 215 321 AmRest shares at the price of PLN 285.00 per share executed on December 7th, 2016,

- a disposal (through in-kind contribution) of 215 321 AmRest shares at the price of PLN 285.00 per share executed on December 7th, 2016.

The transactions were executed outside the regulated marked.

AmRest Holdings SE ("AmRest", "the Company") informs that it received on December 8th, 2016 also a notice from Gosha Holdings Sa.r.l., being a person closely associated with Mr. Henry McGovern and Steven Winegar – members of the Company's Supervisory Board, about an acquisition (through in-kind contribution) of 215 321 AmRest shares at the price of PLN 285.00 per share executed on December 7th, 2016.The transaction was executed outside the regulated marked.

On December 12th, 2016 AmRest informed that it received on the same day a notice from International Restaurants Investments, LLC, being a person closely associated with Mr. Henry McGovern – a member of the Company's Supervisory Board, about a disposal (through sale agreement) of 232 292 AmRest shares at the price of PLN 170.00 per share executed on December 8th, 2016. The transaction was executed outside the regulated marked.

On December 12th, 2016 AmRest informed that it received on the same day a notice from Mr. Henry McGovern – a member of the Company's Supervisory Board, about a disposal (through sale agreement) of 390 443 AmRest shares at the price of PLN 170.00 per share executed on December 8th, 2016.The transaction was executed outside the regulated marked.

On December 12th, 2016 AmRest informed that it received on the same day also a notice from Gosha Holdings S.a.r.l., being a person closely associated with Mr. Henry McGovern and Mr. Steven Winegar – members of the Company's Supervisory Board, about:

- an acquisition (through sale agreement) of 232 292 AmRest shares at the price of PLN 170.00 per share executed on December 8th, 2016.

- an acquisition (through sale agreement) of 390 443 AmRest shares at the price of PLN 170.00 per share executed on December 8th, 2016.

The transactions were executed outside the regulated marked.

On December 15th, 2016 AmRest informed that it received on the same day a notice from Mr. Olgierd Danielewicz - a member of the Company's Management Board, about a purchase of 11 251 AmRest executed on December 13th, 2016. The shares were transferred free of charge as a result of exercising AmRest management options. The transaction was executed outside the regulated marked.

On December 16th, 2016 AmRest informed that it received on the same day a notice from Mr. Jacek Trybuchowski - a member of the Company's Management Board, about a sale of 2 429 AmRest shares at the average price of PLN 289.51 per share executed on December 15th, 2016. The transaction was executed at the Warsaw Stock Exchange.

On December 20th, 2016 AmRest informed that it received on the same day a notice from Mr. Olgierd Danielewicz - a member of the Company's Management Board, about a sale of 700 AmRest shares at the price of PLN 285.50 per share executed on December 16th, 2016. The transaction was executed at the Warsaw Stock Exchange.

On December 20th, 2016 AmRest informed that it received on the same day also a notice from Mr. Jacek Trybuchowski - a member of the Company's Management Board, about:

- a sale of 558 AmRest shares at the price of PLN 290.00 per share executed on December 16th, 2016,
- a sale of 4 729 AmRest shares at the average price of PLN 289.94 per share executed on December 19th, 2016.

The transactions were executed at the Warsaw Stock Exchange.

On December 22nd, 2016 AmRest informed that it received on the same day a notice from Mr. Jacek Trybuchowski - a member of the Company's Management Board, about a sale of 4 137 AmRest shares at the price of PLN 290.00 per share executed on December 20th, 2016. The transaction was executed at the Warsaw Stock Exchange.

On December 27th, 2016 AmRest informed that it received on the same day a notice from Mr. Jacek Trybuchowski - a member of the Company's Management Board, about:

- a purchase of 34 279 AmRest shares executed on December 22nd, 2016. The shares were transferred free of charge as a result of exercising AmRest management options. The transaction was executed outside the regulated marked.

- a sale of 2 264 AmRest shares at the average price of PLN 290.00 per share executed on December 23rd, 2016. The transaction was executed at the Warsaw Stock Exchange.

On December 30th, 2016 AmRest informed that it received on the same day a notice from Mr. Mark Chandler - a member of the Company's Management Board, about a purchase of 28 968 AmRest shares at the price of PLN 92.60 per share executed on December 28th, 2016. The transaction was executed outside the regulated marked as a result of exercising AmRest management options.

On December 30th, 2016 AmRest informed that it received on the same day also a notice from Mr. Wojciech Mroczyński - a member of the Company's Management Board, about a purchase of 14 AmRest shares at the price of PLN 92.60 per share executed on December 28th, 2016. The transaction was executed outside the regulated marked as a result of exercising AmRest management options.

On January 2nd, 2017 AmRest informed that it received on the same day a notice fromFCapital Lux S.a.r.l., being a person closely associated with Mr. José Paréz Gutiérrez – Chairman of the Company's Supervisory Board, about signing on December 30th, 2016 an obligation to sale (outside the trading system) 1 711 455 AmRest shares at the price of EUR 54.90 per share.

On January 2nd, 2017 AmRest informed that it received on the same day a notice from Gosha Holdings S.a.r.l., being a person closely associated with Mr. Henry McGovern and Mr. Steven Winegar – members of the Company's Supervisory Board, about signing on December 30th, 2016 an obligation to purchase (outside the trading system) 1 711 455 AmRest shares at the price of EUR 54.90 per share.

On January 10th, 2017 AmRest informed that it received on the same day a notice from Mr. Zbigniew Cylny - Chairman of the Board of AmRest subsidiary, about a purchase of 600 AmRest shares at the average price of PLN 113.27 per share executed on January 5th, 2017. The transaction was executed outside the regulated marked as a result of exercising AmRest management options.

On January 12th, 2017 AmRest informed that it received on the same day a notice from Mr. Olgierd Danielewicz - a member of the Company's Management Board, about

- a purchase of 5 274 AmRest executed on January 11th, 2017. The shares were transferred free of charge as a result of exercising AmRest management options,

- a purchase of 1 065 AmRest executed on January 12th, 2017. The shares were transferred free of charge as a result of exercising AmRest management options.

The transactions were executed outside the regulated marked.

On January 25th, 2017 AmRest informed that it received on the same day a notice from Mr. Mark Chandler - a member of the Company's Management Board, about:

- a sale of 6 000 AmRest shares at the average price of PLN 303.72 per share executed on January 23rd, 2017,

- a sale of 1 428 AmRest shares at the average price of PLN 313.27 per share executed on January 24th, 2017,

The transaction was executed at the Warsaw Stock Exchange.

On January 25th, 2017 AmRest informed that it received on the same day a notice from Mr. Mark Chandler - a member of the Company's Management Board, about a sale of 4 589 AmRest shares at the average price of PLN 319.37 per share executed on January 25th, 2017. The transaction was executed at the Warsaw Stock Exchange.

On February 14th, 2017 AmRest informed that it received on the same day a notice from Mr. Olgierd Danielewicz - a member of the Company's Management Board, about a sale of 500 AmRest shares at the average price of PLN 330.60 per share executed on February 10th, 2017. The transaction was executed at the Warsaw Stock Exchange.

Transactions on AmRest shares concluded for the purpose of executing the stock option plan

The buyback is based on Resolution no. 7 of the Annual General Meeting of AmRest of May 19th, 2015 on the authorization of Company's Management Board to acquire Company's own shares and the establishment of a reserve capital for the acquisition of own shares.

In the period between January 1st, 2016 and the day of publication of this report AmRest purchased a total of 230 606 own shares for a total price of PLN 59 082 956.86. During the same period, the Company disposed a total of 299 114 own shares to entitled participants of the stock options plans.

TABLE 2. TRANSACTIONS ON AMREST SHARES EXECUTED BY AMREST FROM JANUARY 1ST, 2015 TO THE DATE OF SUBMITTING THIS REPORT (MARCH 11TH, 2016)

conclusion date	settlement date	purchase /disposal	number of purchased/ disposed shares	average purchase/ disposal price per share	nominal value of shares [EUR]	% of the share capital of the Company	number of votes at GSM	total number of shares	total number of votes at GSM	% of the total number of votes in the Company
07.01.2016	07.01.2016	D	903	0.00	0.01	0.0070%	1 493	112 388	112 388	0.5298%
			90	47.60	0.01					
			200	70.00	0.01					
			300	78.00	0.01					
08.01.2016	08.01.2016	D	439	0.00	0.01	0.0197%	4 169	108 219	108 219	0.5101%
			2 110	70.00	0.01					
			460	78.00	0.01					
			930	81.00	0.01					
			230	81.82	0.01					

conclusion date	settlement date	purchase /disposal	number of purchased/ disposed shares	average purchase/ disposal price per share	nominal value of shares [EUR]	% of the share capital of the Company	number of votes at GSM	total number of shares	total number of votes at GSM	% of the total number of votes in the Company
04.04.2016	04.04.2016	D	3 990	0.00	0.01	0.0289%	6 140	102 079	102 079	0.4812%
			50	70.00	0.01					
			100	78.00	0.01					
			1 000	86.00	0.01					
			1 000	96.50	0.01					
05.04.2016	05.04.2016	D	467	0.00	0.01	0.0022%	467	101 612	101 612	0.4790%
13.04.2016	13.04.2016	D	381	70.00	0.01	0.0036%	771	100 841	100 841	0.4754%
			150	78.00	0.01					
			160	81.00	0.01					
			80	81.82	0.01					
10.05.2016	10.05.2016	D	1 194	0.00	0.01	0.0087%	1 854	98 987	98 987	0.4666%
			300	81.00	0.01					
			360	81.82	0.01					
11.05.2016	11.05.2016	D	43 088	0.00	0.01	0.2031%	43 088	55 899	55 899	0.2635%
12.05.2016	13.05.2016	D	3 546	0.00	0.01	0.0186%	3 936	51 963	51 963	0.2449%
			80	70.00	0.01					
			60	78.00	0.01					
			110	81.00	0.01					
			140	81.82	0.01					
13.05.2016	13.05.2016	D	201	0.00	0.01	0.0019%	401	51 562	51 562	0.2431%
			200	81.82	0.01					
16.05.2016	18.05.2016	P	3 136	223.25	0.01	0.0148%	3136	54 698	54 698	0.2578%
17.05.2016	17.05.2016	D	49	0.00	0.01	0.0002%	49	54 649	54 649	0.2576%
17.05.2016	19.05.2016	P	2 302	226.63	0.01	0.0109%	2302	56 951	56 951	0.2685%
18.05.2016	18.05.2016	D	2 537	0.00	0.01	0.0134%	2 837	54 114	54 114	0.2551%
			100	70.00	0.01					
			100	81.00	0.01					
			100	81.82	0.01					
18.05.2016	20.05.2016	P	3 600	233.04	0.01	0.0170%	3 600	57 714	57 714	0.2721%
19.05.2016	19.05.2016	D	20 280	0.00	0.01	0.0957%	20 300	37 414	37 414	0.1764%
			20	70.00	0.01					
19.05.2016	23.05.2016	P	3 658	235.96	0.01	0.0172%	3 658	41 072	41 072	0.1936%
20.05.2016	20.05.2016	D	448	0.00	0.01	0.0037%	788	40 284	40 284	0.1899%
			120	70.00	0.01					
			100	81.00	0.01					
			120	81.82	0.01					
20.05.2016	24.05.2016	P	1 642	231.91	0.01	0.0077%	1 642	41 926	41 926	0.1976%
23.05.2016	23.05.2016	D	150	70.00	0.01	0.0009%	200	41 726	41 726	0.1967%
			50	81.82	0.01					
23.05.2016	25.05.2016	P	4 000	229.07	0.01	0.0189%	4 000	45 726	45 726	0.2155%
24.05.2016	24.05.2016	D	409	0.00	0.01	0.0083%	1 761	43 965	43 965	0.2072%
			290	70.00	0.01					
			200	78.00	0.01					
			170	81.00	0.01					
			692	81.82	0.01					
24.05.2016	27.05.2016	P	3 055	230.89	0.01	0.0144%	3 055	47 020	47 020	0.2216%
25.05.2016	25.05.2016	D	219	0.00	0.01	0.0010%	219	46 801	46 801	0.2206%
25.05.2016	30.05.2016	P	3 400	232.90	0.01	0.0160%	3 400	50 201	50 201	0.2366%
27.05.2016	27.05.2016	D	230	0.00	0.01	0.0011%	230	49 971	49 971	0.2356%
30.05.2016	01.06.2016	P	3 732	234.90	0.01	0.0176%	3 732	53 703	53 703	0.2532%

conclusion date	settlement date	purchase /disposal	number of purchased/ disposed shares	average purchase/ disposal price per share	nominal value of shares [EUR]	% of the share capital of the Company	number of votes at GSM	total number of shares	total number of votes at GSM	% of the total number of votes in the Company
31.05.2016	31.05.2016	D	116	0.00	0.01	0.0027%	576	53 127	53 127	0.2504%
			240	70.00	0.01					
			100	81.00	0.01					
			120	81.82	0.01					
06.06.2016	06.06.2016	D	469	0.00	0.01	0.0062%	1 309	51 818	51 818	0.2443%
			400	70.00	0.01					
			360	81.00	0.01					
			80	81.82	0.01					
06.06.2016	08.06.2016	P	1 508	229.29	0.01	0.0071%	1 508	53 326	53 326	0.2514%
07.06.2016	07.06.2016	D	10 000	48.40	0.01	0.0519%	11 000	42 326	42 326	0.1995%
			250	70.00	0.01					
			750	96.50	0.01					
07.06.2016	09.06.2016	P	3 500	229.34	0.01	0.0165%	3 500	45 826	45 826	0.2160%
08.06.2016	08.06.2016	D	275	0.00	0.01	0.0019%	395	45 431	45 431	0.2142%
			60	81.00	0.01					
			60	81.82	0.01					
08.06.2016	10.06.2016	P	3 500	232.06	0.01	0.0165%	3 500	48 931	48 931	0.2307%
09.06.2016	13.06.2016	P	300	231.55	0.01	0.0014%	300	49 231	49 231	0.2321%
10.06.2016	10.06.2016	D	49	0.00	0.01	0.0002%	49	49 182	49 182	0.2318%
10.06.2016	14.06.2016	P	3 043	231.86	0.01	0.0143%	3 043	52 225	52 225	0.2462%
16.06.2016	16.06.2016	D	80	70.00	0.01	0.0011%	240	51 985	51 985	0.2451%
			80	81.00	0.01					
			80	81.82	0.01					
21.06.2016	23.06.2016	P	371	229.00	0.01	0.0017%	371	52 356	52 356	0.2468%
22.06.2016	24.06.2016	P	1 621	227.55	0.01	0.0076%	1 621	53 977	53 977	0.2544%
23.06.2016	23.06.2016	D	40 000	83.43	0.01	0.1886%	40 000	13 977	13 977	0.0659%
23.06.2016	27.06.2016	P	751	227.00	0.01	0.0035%	751	14 728	14 728	0.0694%
24.06.2016	28.06.2016	P	1 830	212.20	0.01	0.0086%	1 830	16 558	16 558	0.0781%
27.06.2016	29.06.2016	P	1 312	212.93	0.01	0.0062%	1 312	17 870	17 870	0.0842%
28.06.2016	30.06.2016	P	1 300	215.57	0.01	0.0061%	1 300	19 170	19 170	0.0904%
29.06.2016	01.07.2016	P	328	218.98	0.01	0.0015%	328	19 498	19 498	0.0919%
04.07.2016	06.07.2016	P	1 689	216.35	0.01	0.0080%	1 689	21 187	21 187	0.0999%
05.07.2016	07.07.2016	P	1 606	215.40	0.01	0.0076%	1 606	22 793	22 793	0.1074%
06.07.2016	08.07.2016	P	1 500	214.83	0.01	0.0071%	1 500	24 293	24 293	0.1145%
07.07.2016	11.07.2016	P	1 008	217.61	0.01	0.0048%	1 008	25 301	25 301	0.1193%
08.07.2016	12.07.2016	P	3 000	225.43	0.01	0.0141%	3 000	28 301	28 301	0.1334%
11.07.2016	13.07.2016	P	2 000	228.23	0.01	0.0094%	2 000	30 301	30 301	0.1428%
12.07.2016	14.07.2016	P	3 210	227.50	0.01	0.0151%	3 210	33 511	33 511	0.1580%
13.07.2016	15.07.2016	P	1 500	229.95	0.01	0.0071%	1 500	35 011	35 011	0.1650%
14.07.2016	18.07.2016	P	987	231.17	0.01	0.0047%	987	35 998	35 998	0.1697%
12.08.2016	17.08.2016	P	1 999	249.80	0.01	0.0094%	1 999	37 997	37 997	0.1791%
16.08.2016	18.08.2016	P	2 500	250.00	0.01	0.0118%	2 500	40 497	40 497	0.1909%
07.09.2016	09.09.2016	P	100	250.00	0.01	0.0005%	100	40 597	40 597	0.1914%
09.09.2016	09.09.2016	D	27	0.00	0.01	0.0001%	27	40 570	40 570	0.1912%
12.09.2016	12.09.2016	D	103	0.00	0.01	0.0005%	103	40 467	40 467	0.1908%
13.09.2016	13.09.2016	D	11 686	0.00	0.01	0.0551%	11 686	28 781	28 781	0.1357%
14.09.2016	14.09.2016	D	280	0.00	0.01	0.0013%	280	28 501	28 501	0.1344%
15.09.2016	15.09.2016	D	2 473	0.00	0.01	0.0117%	2 473	26 028	26 028	0.1227%
16.09.2016	16.09.2016	D	1 046	0.00	0.01	0.0049%	1 046	24 982	24 982	0.1178%
19.09.2016	19.09.2016	D	2 245	0.00	0.01	0.0106%	2 245	22 737	22 737	0.1072%
20.09.2016	20.09.2016	D	521	0.00	0.01	0.0891%	18 908	3 829	3 829	0.0180%
			18 387	92.60	0.01					

conclusion date	settlement date	purchase /disposal	number of purchased/ disposed shares	average purchase/ disposal price per share	nominal value of shares [EUR]	% of the share capital of the Company	number of votes at GSM	total number of shares	total number of votes at GSM	% of the total number of votes in the Company
22.09.2016	26.09.2016	P	1 200	254.04	0.01	0.0057%	1 200	5 029	5 029	0.0237%
23.09.2016	23.09.2016	D	3 829	0.00	0.01	0.0180%	3 829	1 200	1 200	0.0057%
23.09.2016	27.09.2016	P	2 200	257.05	0.01	0.0104%	2 200	3 400	3 400	0.0160%
26.09.2016	28.09.2016	P	2 200	257.41	0.01	0.0104%	2 200	5 600	5 600	0.0264%
27.09.2016	29.09.2016	P	2 127	251.15	0.01	0.0100%	2 127	7 727	7 727	0.0364%
28.09.2016	30.09.2016	P	1 995	251.95	0.01	0.0094%	1 995	9 722	9 722	0.0458%
29.09.2016	03.10.2016	P	2 200	251.82	0.01	0.0104%	2 200	11 922	11 922	0.0562%
30.09.2016	04.10.2016	P	3 090	245.32	0.01	0.0146%	3 090	15 012	15 012	0.0708%
03.10.2016	05.10.2016	P	2 000	234.81	0.01	0.0094%	2 000	17 012	17 012	0.0802%
04.10.2016	06.10.2016	P	2 100	243.97	0.01	0.0099%	2 100	19 112	19 112	0.0901%
05.10.2016	07.10.2016	P	2 600	239.97	0.01	0.0123%	2 600	21 712	21 712	0.1023%
06.10.2016	10.10.2016	P	1 362	232.91	0.01	0.0064%	1 362	23 074	23 074	0.1088%
07.10.2016	11.10.2016	P	2 000	229.73	0.01	0.0094%	2 000	25 074	25 074	0.1182%
10.10.2016	12.10.2016	P	898	227.97	0.01	0.0042%	898	25 972	25 972	0.1224%
11.10.2016	13.10.2016	P	850	229.54	0.01	0.0040%	850	26 822	26 822	0.1264%
12.10.2016	14.10.2016	P	203	228.08	0.01	0.0010%	203	27 025	27 025	0.1274%
13.10.2016	17.10.2016	P	2 153	227.23	0.01	0.0101%	2 153	29 178	29 178	0.1375%
14.10.2016	18.10.2016	P	2 000	229.51	0.01	0.0094%	2 000	31 178	31 178	0.1470%
17.10.2016	19.10.2016	P	1 700	229.81	0.01	0.0080%	1 700	32 878	32 878	0.1550%
18.10.2016	18.10.2016	D	19 310	92.60	0.01	0.0910%	19 310	13 568	13 568	0.0640%
18.10.2016	20.10.2016	P	2 000	233.34	0.01	0.0094%	2 000	15 568	15 568	0.0734%
19.10.2016	21.10.2016	P	1 757	234.19	0.01	0.0083%	1 757	17 325	17 325	0.0817%
20.10.2016	24.10.2016	P	2 246	238.70	0.01	0.0106%	2 246	19 571	19 571	0.0923%
21.10.2016	25.10.2016	P	2 468	240.51	0.01	0.0116%	2 468	22 039	22 039	0.1039%
24.10.2016	26.10.2016	P	2 608	248.99	0.01	0.0123%	2 608	24 647	24 647	0.1162%
25.10.2016	27.10.2016	P	2 850	247.65	0.01	0.0134%	2 850	27 497	27 497	0.1296%
26.10.2016	28.10.2016	P	2 621	246.68	0.01	0.0124%	2 621	30 118	30 118	0.1420%
27.10.2016	31.10.2016	P	3 001	247.70	0.01	0.0141%	3 001	33 119	33 119	0.1561%
28.10.2016	02.11.2016	P	510	245.38	0.01	0.0024%	510	33 629	33 629	0.1585%
31.10.2016	03.11.2016	P	249	248.45	0.01	0.0012%	249	33 878	33 878	0.1597%
02.11.2016	04.11.2016	P	2 274	249.05	0.01	0.0107%	2 274	36 152	36 152	0.1704%
03.11.2016	07.11.2016	P	3 000	247.75	0.01	0.0141%	3 000	39 152	39 152	0.1846%
04.11.2016	08.11.2016	P	2 889	243.52	0.01	0.0136%	2 889	42 041	42 041	0.1982%
07.11.2016	09.11.2016	P	2 138	232.72	0.01	0.0101%	2 138	44 179	44 179	0.2083%
08.11.2016	10.11.2016	P	2 300	237.74	0.01	0.0108%	2 300	46 479	46 479	0.2191%
09.11.2016	14.11.2016	P	1 827	241.36	0.01	0.0086%	1 827	48 306	48 306	0.2277%
10.11.2016	15.11.2016	P	2 812	246.25	0.01	0.0133%	2 812	51 118	51 118	0.2410%
14.11.2016	16.11.2016	P	3 400	252.00	0.01	0.0160%	3 400	54 518	54 518	0.2570%
15.11.2016	17.11.2016	P	3 504	253.73	0.01	0.0165%	3 504	58 022	58 022	0.2735%
16.11.2016	18.11.2016	P	2 872	252.48	0.01	0.0135%	2 872	60 894	60 894	0.2870%
17.11.2016	21.11.2016	P	2 750	252.85	0.01	0.0130%	2 750	63 644	63 644	0.3000%
18.11.2016	22.11.2016	P	3 200	250.82	0.01	0.0151%	3 200	66 844	66 844	0.3151%
21.11.2016	23.11.2016	P	3 000	252.13	0.01	0.0141%	3 000	69 844	69 844	0.3292%
22.11.2016	24.11.2016	P	2 378	254.01	0.01	0.0112%	2 378	72 222	72 222	0.3404%
23.11.2016	25.11.2016	P	2 460	259.00	0.01	0.0116%	2 460	74 682	74 682	0.3520%
24.11.2016	28.11.2016	P	2 536	263.00	0.01	0.0120%	2 536	77 218	77 218	0.3640%
25.11.2016	29.11.2016	P	2 710	260.81	0.01	0.0128%	2 710	79 928	79 928	0.3768%
30.11.2016	02.12.2016	P	2 233	261.59	0.01	0.0105%	2 233	82 161	82 161	0.3873%
01.12.2016	05.12.2016	P	2 982	264.51	0.01	0.0141%	2 982	85 143	85 143	0.4014%
02.12.2016	06.12.2016	P	469	269.68	0.01	0.0022%	469	85 612	85 612	0.4036%
05.12.2016	07.12.2016	P	3 117	283.95	0.01	0.0147%	3 117	88 729	88 729	0.4183%
06.12.2016	08.12.2016	P	2 943	284.97	0.01	0.0139%	2 943	91 672	91 672	0.4321%
07.12.2016	09.12.2016	P	3 000	284.57	0.01	0.0141%	3 000	94 672	94 672	0.4463%

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08.12.2016	12.12.2016	P	103	283.95	0.01	0.0005%	103	94 775	94 775	0.4468%
13.12.2016	15.12.2016	P	1 253	283.39	0.01	0.0059%	1 253	96 028	96 028	0.4527%
13.12.2016	13.12.2016	D	11 251	0.00	0.01	0.0530%	11 251	84 777	84 777	0.3996%
14.12.2016	16.12.2016	P	3 000	285.61	0.01	0.0141%	3 000	87 777	87 777	0.4138%
15.12.2016	19.12.2016	P	2 300	288.80	0.01	0.0108%	2 300	90 077	90 077	0.4246%
16.12.2016	20.12.2016	P	2 200	287.40	0.01	0.0104%	2 200	92 277	92 277	0.4350%
19.12.2016	21.12.2016	P	2 258	288.79	0.01	0.0106%	2 258	94 535	94 535	0.4456%
20.12.2016	22.12.2016	P	2 300	290.00	0.01	0.0108%	2 300	96 835	96 835	0.4565%
21.12.2016	23.12.2016	P	2 300	287.99	0.01	0.0108%	2 300	99 135	99 135	0.4673%
22.12.2016	22.12.2016	D	34 279	0.00	0.01	0.1616%	34 279	64 856	64 856	0.3057%
22.12.2016	27.12.2016	P	2 250	286.87	0.01	0.0106%	2 250	67 106	67 106	0.3163%
23.12.2016	28.12.2016	P	1 468	289.95	0.01	0.0069%	1 468	68 574	68 574	0.3233%
28.12.2016	28.12.2016	D	28 982	92.60	0.01	0.1366%	28 982	39 592	39 592	0.1866%
05.01.2017	05.01.2017	D	611	0.00	0.01	0.0066%	1 391	38 201	38 201	0.1801%
			200	78.00	0.01					
			580	130.90	0.01					
09.01.2017	09.01.2017	D	231	0.00	0.01	0.0011%	231	37 970	37 970	0.1790%
10.01.2017	10.01.2017	D	1 212	0.00	0.01	0.0070%	1 492	36 478	36 478	0.1720%
			280	130.90	0.01					
11.01.2017	11.01.2017	D	6 464	0.00	0.01	0.0311%	6 594	29 884	29 884	0.1409%
			130	130.90	0.01					
12.01.2017	12.01.2017	D	1 332	0.00	0.01	0.0088%	1 872	28 012	28 012	0.1320%
			540	130.90	0.01					
13.01.2017	13.01.2017	D	259	0.00	0.01	0.0019%	399	27 613	27 613	0.1302%
			140	130.90	0.01					
16.01.2017	16.01.2017	D	140	0.00	0.01	0.0059%	1 260	26 353	26 353	0.1242%
			200	70.00	0.01					
			280	78.00	0.01					
			200	81.00	0.01					
			200	81.82	0.01					
			240	130.90	0.01					
17.01.2017	17.01.2017	D	121	0.00	0.01	0.0011%	241	26 112	26 112	0.1231%
			120	130.90	0.01					
18.01.2017	18.01.2017	D	118	0.00	0.01	0.0172%	3 658	22 454	22 454	0.1058%
			800	70.00	0.01					
			1 300	81.00	0.01					
			840	81.82	0.01					
			500	96.50	0.01					
			100	130.90	0.01					
17.01.2017	17.01.2017	D	43	0.00	0.01	0.0011%	223	22 231	22 231	0.1048%
			80	78.00	0.01					
			100	130.90	0.01					
23.01.2017	23.01.2017	D	56	0.00	0.01	0.0003%	56	22 175	22 175	0.1045%
24.01.2017	24.01.2017	D	50	130.90	0.01	0.0002%	50	22 125	22 125	0.1043%
26.01.2017	30.01.2017	P	9	342.90	0.01	0.00004%	9	22 134	22 134	0.1043%
27.01.2017	31.01.2017	P	50	343.00	0.01	0.0002%	50	22 184	22 184	0.1046%
30.01.2017	01.02.2017	P	710	337.16	0.01	0.0033%	710	22 894	22 894	0.1079%
31.01.2017	31.01.2017	D	4 956	0.00	0.01	0.0234%	4 956	17 938	17 938	0.0846%
31.01.2017	02.02.2017	P	2 090	335.96	0.01	0.0099%	2 090	20 028	20 028	0.0944%
01.02.2017	03.02.2017	P	2 000	325.43	0.01	0.0094%	2 000	22 028	22 028	0.1038%
02.02.2017	06.02.2017	P	850	317.75	0.01	0.0040%	850	22 878	22 878	0.1078%
03.02.2017	07.02.2017	P	2 000	307.00	0.01	0.0094%	2 000	24 878	24 878	0.1173%

conclusion date	settlement date	purchase /disposal	number of purchased/ disposed shares	average purchase/ disposal price per share	nominal value of shares [EUR]	% of the share capital of the Company	number of votes at GSM	total number of shares	total number of votes at GSM	% of the total number of votes in the Company
06.02.2017	08.02.2017	P	2 040	316.00	0.01	0.0096%	2 040	26 918	26 918	0.1269%
07.02.2017	09.02.2017	P	490	328.25	0.01	0.0023%	490	27 408	27 408	0.1292%
08.02.2017	10.02.2017	P	2 400	329.42	0.01	0.0113%	2 400	29 808	29 808	0.1405%
09.02.2017	10.02.2017	P	2 500	329.30	0.01	0.0118%	2 500	32 308	32 308	0.1523%
10.02.2017	10.02.2017	P	2 461	330.58	0.01	0.0116%	2 461	34 769	34 769	0.1639%
14.02.2017	16.02.2017	P	2 809	319.90	0.01	0.0132%	2 809	37 578	37 578	0.1771%
15.02.2017	17.02.2017	P	1 295	319.45	0.01	0.0061%	1 295	38 873	38 873	0.1832%
16.02.2017	20.02.2017	P	2 000	322.64	0.01	0.0094%	2 000	40 873	40 873	0.1927%
20.02.2017	22.02.2017	P	2 250	330.00	0.01	0.0106%	2 250	43 123	43 123	0.2033%
21.02.2017	23.02.2017	P	2 250	332.88	0.01	0.0106%	2 250	45 373	45 373	0.2139%

Other information on shareholding

The Management Board of AmRest is not in possession of the information concerning holders of securities giving special rights of control in relation to the Company.

Appendix No. 2: The functioning of the general meeting, its basic entitlements, the rights of shareholders and the manner of exercising these rights and entitlements

The functioning of the general meeting, its basic entitlements, the rights of shareholders and the manner of exercising these rights and entitlements, in particular the rules stipulated in the GM regulations, are described in detail in the Company's Statute and the Regulations of AmRest General Shareholders Meeting. Both documents are available at the Company's website.

Appendix No. 3: Description of amendments to the Articles of Association of the Issuer

Amendments' to the Statutes of the issuer require a resolution of the General Meeting adopted by three-fourths majority. Legal basis: Art. 415 § 1 and 430 § 1 of the Commercial Companies Code, in connection with art. 9 and art. 53 Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE).

Appendix No. 4: Changes in the basic principles of the issuer's and its capital group's management

In 2016 there were no changes in the basic principles of AmRest Group management.

Appendix No. 5: Remuneration of Management and Supervisory Board Members

TABLE 3. REMUNERATION OF THE SUPERVISORY BOARD MEMBERS FOR 2016

Member of the Supervisory Board	Period of serving in the Supervisory Board	Remuneration for sitting on the Supervisory Board	Income from other contracts	Other benefits	Total income for the 12 months ended 31 December 2016
Henry McGovern	1.01 - 31.12.16	84 000	4 620 244	-	4 704 244
José Parés Gutiérrez [1]	1.01 - 31.12.16	-	-	-	-
Luis Miguel Álvarez Pérez [1]	1.01 - 31.12.16	-	-	-	-
Steven Kent Winegar Clark [1]	1.01 - 31.12.16	-	-	436 250	436 250
Raimondo Eggink	1.01 - 12.12.16	113 871	-	-	113 871
Krzysztof A. Rozen	1.01 - 12.12.16	113 871	-	-	113 871
Zofia Dzik	1.01 - 12.12.16	113 871	-	-	113 871
Łukasz Rozdeiczer-Kryszkowski	1.01 - 12.12.16	113 871	-	-	113 871
Carlos Fernandez Gonzalez [1]	12.12-31.12.2016	-	-	-	-
Total		**539 484**	**4 620 244**	**436 250**	**5 595 978**

[1] Voluntary resignation from the remuneration

TABLE 4. REMUNERATION OF THE MANAGEMENT BOARD MEMBERS FOR 2016

Management Board Member	Period of serving in the Management Board in 2016	Remuneration	Annual bonus, sector rewards	Income earned in subsidiaries and associates	Benefits, other income	Total income for 2016
Wojciech Mroczyński	1.01 - 31.12.16	1 120 826	280 207	1 401 033	19 064	1 420 096
Mark Chandler	1.01 - 7.06.16 i 10.6-30.06.16	1 478 663	369 666	1 848 328	13 332	1 861 660
Drew O'Malley	1.01 - 7.06.16 i 10.6-30.06.16	1 194 125	191 060	1 385 185	29 182	1 414 367
Jacek Trybuchowski	1.01 - 31.12.16	1 076 138	242 131	1 318 269	25 042	1 343 310
Oksana Staniszewska [1]	1.01 - 31.12.16	671 750	167 938	839 688	8 734	848 422
Olgierd Danielewicz [1]	1.01 - 31.12.16	648 833	162 208	811 042	23 381	834 423
Total		**6 190 335**	**1 413 209**	**7 603 544**	**118 735**	**7 722 279**

* Remuneration for the period of service at the Management Board

Changes in the number of options for AmRest shares owned by members of management and supervisory bodies of AmRest in 2016, based on the Company's information are presented below.

TABLE 5. NUMBER OF OPTIONS FOR AMREST SHARES OWNED BY MEMBERS OF THE COMPANY MANAGEMENT AND SUPERVISORY BODIES IN 2016

Name and surname	Function*	Number of share options as at 31/12/2015	Number of share options granted in 2016	Number of share options executed in 2016	Number of share options as at 31/12/2016	Number of vested options	Fair value of all options at the grant date (PLN'000)
Henry McGovern	S	226 666	-	10 000	216 666	216 666	7 060
Wojciech Mroczyński	M	73 333	-	36 666	36 667	-	1 091
Mark Chandler	M	80 000	-	40 000	40 000	40 000	943
Drew O'Malley	M	93 334	-	46 667	46 667	46 667	1 180
Jacek Trybuchowski	M	106 666	-	106 666	-	-	-
Oksana Staniszewska	M	7 420	3 000	-	10 420	2 020	848
Olgierd Danielewicz	M	50 450	-	42 450	8 000	-	832

* (M) member of management body, (S) member of the supervisory body

For more information on the option scheme see Note 19 to the consolidated financial statements.

Appendix No. 6: The Audit Committee of AmRest – its functioning, composition and changes that occurred during the last financial year

In 2016 there were following changes in the composition of the Audit Committee:

On December 12th, 2016 the Extraordinary General Meeting of AmRest adopted resolutions revoking Mrs. Zofia Dzik, Mr. Raimondo Eggink and Mr. Łukasz Rozdeiczer-Kryszkowski from the Supervisory Board and thus the Audit Committee.

On the same day the Supervisory Board appointed three members of the Supervisory Board - Mr. José Parés Gutiérrez, Mr. Pablo Castilla Reparaz and Mr. Mustafa Ogretici as members of the Audit Committee. The resolutions came into force on January 1st, 2017.

At the end of 2016 Mr. Steven Kent Winegar Clark was the only member of the Audit Committee.

With effect from January 1, 2017, Mr. Steven Kent Winegar Clark resigned from the position of the Audit Committee member.

As at the date of publication of this report, the Audit Committee comprises the following members of AmRest Supervisory Board:

- José Parés Gutiérrez,
- Pablo Castilla Reparaz,
- Mustafa Ogretici.

The Audit Committee's tasks:

The Audit Committee's tasks are advising the Supervisory Board on matters regarding the proper implementation of the principles of budget and financial reporting and the Company's and its Capital Group internal audit (within the meaning of the provisions on accounting) as well as cooperation with the Company's authorized auditors. In particular, the Audit Committee's tasks are the following:

(A) monitoring the work of the Company's authorized auditors as well as giving to the Supervisory Board recommendations on the selection and remuneration of authorized auditors;

(B) discussing, before the beginning of each annual financial statement audit, with the Company's authorized auditors the nature and scope of the audit as well as monitoring the coordination of work between the Company's authorized auditors;

(C) reviewing the Company's periodic and annual financial statements (stand alone and consolidated), in particular concentrating attention on the following:

- any changes in booking standards, principles and practices;

- main issues being reviewed;

- substantial adjustments resulting from the audit;

- statements on continuation of operation;

- accuracy with the binding law on book keeping;

(D) discussing any problems or reservations which may arise from the audit of financial statements;

(E) analyzing the Company's authorized auditor's letters to the Management Board, analyzing the independence and objectivity of the accomplished audit and the Management Board responses;

(F) reviewing management accountancy systems;

(G) reviewing the AmRest's capital group annual report and internal audit system, including the mechanics of financial, operational, managerial checks, checks on compliance with regulations, and risk assessment;

(H) analyzing the internal auditors' reports and internal analysts' main observations, the Management Board responses to these observations; checking the internal auditors' level of independence and giving opinions on the Management Board's plans regarding the employment and dismissal of the head of the internal audit department;

(I) annual review of the internal audit schedule, internal and external auditors work coordination, and inspection of the internal auditors' work conditions;

(J) cooperation with the Company's departments, responsible for audit and checking, as well as periodic assessment of their work;

(K) consideration of any other matters regarding the Company's audit, highlighted by the committee or the Supervisory Board;

(L) informing the Supervisory Board of any significant issues regarding the activities of the Audit Committee.

Appendix No. 7: Information on the control system for employee share programmes

Stock Option Plan 1

In April 2005, the Company announced the rules of the Stock Option Plan 1 to its employees. The scheme enabled the employees of the AmRest Group to purchase shares in AmRest Holdings SE. The total number of shares to which options could be issued was determined by the Management Board. However, it could not exceed 3% of all the shares in trading. Additionally, in accordance with the provisions of the Option Plan, the circle of employees entitled to participate in the Stock Option Plan 1, the number of granted options and the dates of granting them were subject to approval by the Management Board. The options' execution price was equal to the market price of the Company's shares as of the date of granting the options, and the vesting period was from 3 to 5 years. The options could be executed within 10 years from the date of their being granted.

In January 2010, the Supervisory Board of the Group's parent passed a resolution confirming and systematizing the total number of shares to which options could be issued, in an amount that could not exceed 3% of all the shares in trading.

In June 2011, the Supervisory Board of the Group's parent passed a resolution amending the previous provisions concerning the number of shares transferred for potential purchase by employees through the execution of options. The number was limited to 100,000 a year.

In November 2014, Supervisory Board of Group parent entity approved and changed wording of regulations by adding net settlement in shares and cash.

For the grants after December 8, 2015 a change in regulations was implemented which eliminated possibility of option settlement with cash method.

Management Incentive Plan 1

In December 2011, the Group introduced another employee share option plan - Management Incentive Plan 1 (MIP 1) - settled with shares, having a selected group of employees in mind. The total number of shares to which the options can be issued is determined by the Management Board. However it cannot exceed 1,041,000 shares. In accordance with the MIP's provisions, the Supervisory Board, at the request of the Management Board, has the right to specify, apart from other issues, which employees shall be entitled to participate in the MIP, and the number of options awarded and the date of their being awarded. The options' execution price shall in principle be equal to the market price of the Company's shares as of the date of granting the options, and the vesting period shall be 3 years. The options' execution price will increase annually by 11%.

The Management Incentive Plan 1 was approved by the Company's Management Board and the General Shareholders' Meeting.

Stock Option Plan 2

In December 2016 the Group introduced another employee share option plan settled with shares (Stock Option Plan 2) to its chosen employees (for avoidance of doubt the term employment shall be interpreted broadly and include different forms and types of cooperation with the Company or its Subsidiaries). Plan entered into force on January 1st, 2017. The total number of shares to which options could be issued is determined by the Supervisory Board. However, it could not exceed 750 000 shares. In accordance with the provisions of the Option Plan, among other issues, the circle of employees entitled to participate in the Stock Option Plan 2, the number of granted options and the dates of granting them are subject to Management Board decision. The options' execution price shall generally be equal to the market price of the Company's shares as of the date of granting the options, and the vesting period is 5 years (60 % shall vest on the third anniversary of granting date; 20 % shall vest on the fourth anniversary of granting date; remaining unvested options shall vest on the fifth anniversary of granting date).

Employee Stock Option Plan 2 has been approved by Supervisory Board

Management Incentive Plan 2

In December 2016 the Group introduced another Management Incentive Plan (Management Incentive Plan 2), settled with shares, to its chosen managers (for avoidance of doubt the term employment shall be interpreted broadly and include different forms and types of cooperation with the Company or its Subsidiaries). Plan entered into force on January 1st, 2017. The total number of shares to which options could be issued is determined by the Supervisory Board, however, it can not exceed 1 000 000 shares. In accordance with the provisions of the Management Incentive Plan 2, among other issues, the number of granted options and the dates of granting them are subject to Supervisory Board decision (upon Management Board request). The options' execution price shall generally be equal to the market price of the Company's shares as of the date of granting the options, and the vesting period is 5 years (1/3 shall vest on the third anniversary of granting date; 1/3 shall vest on the fourth anniversary of granting date; remaining unvested options shall vest on the fifth anniversary of granting date). The options' execution price will increase annually by 11%.

Management Incentive Plan 2 has been approved by Supervisory Board

The above-mentioned plans are incentive schemes and are addressed solely to the employees and management of the AmRest Group companies.

Detailed information on the valuations and accounting treatment of the above-mentioned schemes is provided in Note 19 to the consolidated financial statements.

Appendix No. 8: Composition of the Holding

The current composition of the AmRest Group is presented in Note 1a to the Consolidated Annual Financial Statements as at and for the year ended December 31st, 2016. The changes in the composition of the Group during the said period are presented below.

On April 15th, 2016 the registered court in Wroclaw registered the company AmRest Kaffee Sp. z o.o. with registered office in Wroclaw, in which AmRest Sp. z o.o. held 99% of shares and 1% of shares was in the possession of Mr. Aleksander Krawczyk.

On May 23rd, 2016 the Capital Group finalized the acquisition of AmRest Coffee Deutschland Sp. z o.o. & Co. KG. As a result of the transaction AmRest Capital Zrt. acquired a 15% stake in AmRest Coffee Deutschland Sp. z o.o. & Co. KG. and 85% were acquired by AmRest Kaffee Sp. z o.o. AmRest Work Sp. z o.o. became a General Partner of AmRest Coffee Deutschland Sp. z o.o. & Co. KG.

On May 24th, 2016 AmRest informed that AmRestavia, S.L.U., a 100% subsidiary of AmRest acting as the solely member and manager of Da Via LLC ("Da Via") adopted on May 23rd, 2016 a resolution dissolving Da Via. The dissolution came into force upon its adoption.

On June 8th, 2016 Mr. Aleksander Krawczyk completed the sale of 1% stake in AmRest Kaffee Sp. z o.o. to AmRest Sp. z o.o. As at June 8th, 2016 AmRest Sp. z o.o. held 100% of the shares in AmRest Kaffee Sp. z o.o.

On June 17th, 2016 the liquidation of La Tagliatella Asia Pacific Limited was completed. On that day company was removed from register of entrepreneurs.

On June 21st, 2016 AmRest informed that AmRestavia, S.L.U., a 100% subsidiary of AmRest acting as the solely member and manager of La Tagliatella – Crown Farm, LLC ("Crown Farm") adopted on June 20th, 2016 a resolution dissolving Crown Farm. The dissolution came into force upon its adoption.

On August 9th, 2016 the competent state authority in Ukraine approved the sale of 100% of the shares of The Finance Ltd. (until July 4th, 2016 run under the business name of AmRest Ukraina t.o.w.) executed on the basis of the share purchase agreement entered into on August 8th between AmRest Sp. o.o., and Ms. Titulnik Ulia Oleksandrovna and VIP Commerce LLC.

On August 16th, 2016, AmRestavia, S.L.U., a 100% subsidiary of AmRest acting as the solely member and manager of Da Via LLC finalized liquidation of Da Via LLC.

On September 1st, 2016 registered address of AmRest Coffee EOOD was changed. New registered address of company is Sofia (Republic of Bulgaria) Momin Kladenets 1.

On September 22nd, 2016 new company in the group The Grill Concept S.L.U. was registered. Sole member of new company is Restauravia Grupo Empresarial S.L.

On September 30th, 2016 Pastificio Service S.L.U. (100% subsidiary of Restauravia Grupo Empresarial S.L.) finalized the acquisition 100% of shares of Tagligat S.L.U.

On October 14th, 2016 (effective date) Shanghai Renzhi Business Consultancy CO Ltd sold its shares in Shanghai Kabb Western Restaurant Ltd to Horizon Group Consultants. As a result Horizon Group Consultants became a 100% owner of Shanghai Kabb Western Restaurant Ltd.

On November 15th , 2016 AmRest Holdings SE finalized the acquisition of Mrs. Coralie Danks shares of Blue Horizon Hospitality Group PTE Ltd. Actual possession of AmRest Holdings SE is 67,56%.

On November 17th, 2016 new company in group Kai Fu Restaurant Shanghai Co. Ltd was registered. Sole member of new company is Blue Frog Food and Beverage Management Ltd.

On November 25th , 2016 registered address of AmRest Acquisition Subsidiary Inc. was changed. New registered address of company is Malta, Brewery Street, Mriehel BKR 3000.

On November 25th, 2016 AmRestavia S.L.U., the sole shareholder of AmRest GmbH, has decided to liquidate this company (AmRest GmbH).

On December 22nd, 2016 new company in group AmRest DE Sp. z o.o.& Co. KG based in Berlin was registered. Sole member of new company is AmRest Kaffee Sp. z o.o.

On February 21st, 2017 registered address of AmRest DE Sp. z o.o.& Co. KG was changed. New registered address of company is Berlin (10117), Friedrichstrasse 191.

On February 24th, 2017 AmRest Holdings SE finalized the acquisition of minority shareholders shares owned in Blue Horizon Hospitality Group PTE Ltd. Currently AmRest Holdings SE is sole member of Blue Horizon Hospitality Group PTE Ltd.

On March 1st, 2017 new company LTP La Tagliatella Portugal Lda was registered within AmRest Group. Shareholders of this company are AmRest Tag S.L.U. (74%) and AmRestavia S.L.U. (26%).

AmRest Holdings SE has its seat in Wroclaw, Poland. Currently, the restaurants run by the Group are located in Poland, the Czech Republic, Hungary, Russia, Romania, Serbia, Bulgaria, Croatia, Slovakia, Spain, France, Germany and China.

Appendix No. 9: Loans and borrowings

The summary of all loans granted to related entities in 2016 is presented in the table below.

TABLE 6. LOANS GRANTED TO RELATED ENTITIES IN 2016

Lender	Borrower	Agreement date	Final repayment date	Loan amount [k]	Loan currency	Reference rate	Margin
AmRest Capital Zrt	AmRest TAG S.L.U	04.04.2016*	04.04.2021	88 480	EUR	3M EURIBOR	5.5%
AmRest Capital ZRT	AmRest Kaffee	12.05.2016*	12.05.2016	168 112	EUR	3M EURIBOR	4.0%
AmRest Capital ZRT	AmRest Coffee Deutschland	23.05.2016*	23.05.2021	22 120	EUR	3M EURIBOR	4.0%
AmRest Sp. z o.o.	AmRest Work	28.06.2016*	31.12.2016	500	PLN	3M WIBOR	3.5%
AmRest Holdings SE	AmRest Acquisition Subsidiary	22.12.2016*	31.12.2018	796	EUR	3M EURIBOR	3.7%

* revolving loan

No agreements on loans or borrowings were terminated in 2016.

TABLE 7. LOANS BETWEEN RELATED ENTITIES

Lender	Borrower	Loan currency	Contract value of loans granted [PLN'000]*	Value of loans as at 31/12/2016 [PLN'000]**
AmRest Kft	OOO AmRest	RUB	47 549	35 039
AmRest Holdings SE	AmRest Acquisition Subsidiary Inc.	EUR	111	115
AmRest Capital ZRT	Spanish companies	EUR	566 764	572 864
AmRest Capital ZRT	OOO AmRest	EUR	76 049	78 502
AmRest Finance ZRT	AmRest Sp. z o.o.	PLN	19 966	23 036
AmRest Capital ZRT	AmRest Kaffee Sp. z o.o.	EUR	157 052	157 052
AmRest Holdings SE	Blue Horizon Hospitality Group	USD	6 457	8 963
AmRest Holdings SE	AmRest Sp. z o.o.	PLN	174 200	174 200
Loans granted as part of the Spanish companies		EUR	156 804	177 504

* Translated using the NBP rate as of 31/12/2016
** Including interest accrued by 31/12/2016

Appendix No. 10: Guarantees and warranties

As at 31 December 2016 there were no guarantees granted by the Group to the third parties.

Appendix No. 11: Court, arbitration or administrative proceedings

As at December 31, 2016 or at the date of publication of this report no court, arbitration or administrative proceedings concerning liabilities and receivables, whose single or aggregate value exceeds 10% of the Company's equity, were pending against the Company.

Appendix No. 12: Statement of compliance with the Code of Best Practices for WSE Listed Companies

AmRest Holdings SE, which shares are listed on the Warsaw Stock Exchange, makes every effort to apply the principles of corporate governance stipulated in "Best Practice for WSE Listed Companies 2016".

Referring to the Principles adopted by Resolution No. 26/1413/2015 of the Warsaw Stock Exchange Supervisory Board dated October 13th, 2015 (effective from January 1st, 2016), The Management Board of the Company informs that it applies most of the recommendations and principles contained in Best Practices. The list of practices that are not applied, together with justifications, is presented below.

According to the current status of compliance with the Best Practice, the Company does not apply:

- 4 recommendations: IV.R.2., VI.R.1., VI.R.2., VI.R.3.

- 5 detailed principles: II.Z.7., IV.Z.2., VI.Z.1., VI.Z.3., VI.Z.4.

Not applied recommendations:

IV.R.2. If justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means, in particular through:

1) real-life broadcast of the general meeting;

2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting;

3) exercise of the right to vote during a general meeting either in person or through a plenipotentiary.

Recommendation is not applied.

Comments of the Company: *The recommendation is applied in the scope referred to in IV.R.2.3). The Issuer enables the shareholders to use the institution of proxies at the General Meeting of the Company. The proxies receive voting instructions from individual shareholders.*

AmRest has not yet implemented the functionality of bilateral real-time communication, which allows the shareholders to remotely participate in the general meeting.

The Company decided that voting via the Internet involves too many technological, legal and image risk elements, such as:

• Difficulties in certifying the identity of the shareholders

• Technological barriers, e.g. overload of Internet connection and delays in the transmission of image, which may negatively impact the dynamics of the discussion at the meeting, and even cause breaks in the sessions, which in turn can lead to an allegation of breaching the rights of the shareholders who came to the GSM in person, reserving an adequate amount of time for it.

• The responsibility of the Issuer for a potential break of connection with the General Meeting (also such which results from a lack of equipment ensuring fast, stable Internet connection at the part of the shareholder) and the risk of a reputation loss related with it in the case when a shareholder is unable to participate in the GM and exercise the voting right. A break of Internet connection and the inability of a shareholder to vote may result in not adopting a resolution during the meeting or a later claim against it.

The company has not until now received any propositions regarding a need to introduce remote participation in the vote from its shareholders.

AmRest does not ensure the recommended real-life broadcast of the general meeting, but it records the course of the proceedings. The video recording is promptly publicized on the Company's website and is available in the General Meeting tab. The company does not exclude the possibility that it will apply this recommendation in the future.

VI.R.1. The remuneration of members of the company's governing bodies and key managers should follow the approved remuneration policy.

Recommendation is not applied.

Comments of the Company: *In the Issuer's enterprise, the level of remuneration of the Management Board is discussed with the Company's Supervisory Board, and the level of remuneration of the Supervisory Board is determined by the General Meeting. It was left in the competence of the statutory bodies to determine the remunerations of the members of the Company's bodies. However, the governing bodies of the Company are in the process of analyzing the rationale of developing the remuneration policy in a form of document in the future.*

VI.R.2. The remuneration policy should be closely tied to the company's strategy, its short- and long-term goals, long-term interests and results, taking into account solutions necessary to avoid discrimination on whatever grounds.

Recommendation is not applied.

Comments of the Company: *The bonuses being a part of remuneration of members of the Management Board and key managers as well as their benefits from the stock option plans are closely tied to the company's short- and long-term goals, long-term interests and results. However, the remuneration regulations functioning in AmRest have not been drawn up in a form of document. The governing bodies of the Company are in the process of analyzing the rationale of developing the remuneration policy in a form of document.*

VI.R.3. If the supervisory board has a remuneration committee, principle II.Z.7 applies to its operations.

Recommendation is not applied.

Comments of the Company: *The composition of the Remuneration Committee meets the criteria specified in principle II.Z.7. AmRest doesn't apply this recommendation because the terms of reference of Remuneration Committee were not created in a form of formal document. The Supervisory Board is in the process of analyzing the rationale and the possible method of implementing the recommendation in the future.*

Not applied detailed principles:

II.Z.7. Annex I to the Commission Recommendation referred to in principle II.Z.4 applies to the tasks and the operation of the committees of the Supervisory Board. Where the functions of the audit committee are performed by the supervisory board, the foregoing should apply accordingly.

Principle is not applied.

Comments of the Company: *AmRest applies this corporate governance rule in a wide scope, but it should not be considered as fulfilled because the terms of reference of Remunetration Committee were not created in a form of formal document. AmRest applies this corporate governance rule with respect to the Audit Committee. The Supervisory Board is in the process of analyzing the rationale and the possible method of implementing this corporate governance principle with respect to the Remuneration Committee in the future.*

IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

Principle is not applied.

Comments of the Company: *AmRest does not ensure the recommended real-life broadcast of the general meeting, but it records the course of the proceedings. The video recording is promptly publicized on the Company's website and is available in the General Meeting tab. The company does not exclude the possibility that it will apply this recommendation in the future.*

VI.Z.1. Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term financial standing of the company and long-term shareholder value creation as well as the company's stability.

Principle is not applied.

Comments of the Company: *As at today, this corporate governance principle is applied partially. There are two incentive schemes functioning within AmRest - Employee Stock Option Plan and Management Incentive Plan, but only the second one is designed in the way defined in principle VI.Z.1.*

VI.Z.3. The remuneration of members of the supervisory board should not be linked to options or other derivatives or any other variable components, and neither should it be linked to the company's results.

Principle is not applied.

Comments of the Company: *This principle is not applied, because one of the members of the Company's Supervisory Board is employee within AmRest Group - and therefore is a beneficiary of the incentive schemes functioning in the Company.*

VI.Z.4. In this activity report, the company should report on the remuneration policy including at least the following:

1) general information about the company's remuneration system;

2) information about the conditions and amounts of remuneration of each management board member broken down by fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group;

3) information about non-financial remuneration components due to each management board member and key manager;

4) significant amendments of the remuneration policy in the last financial year or information about their absence;

5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

Principle is not applied.

Comments of the Company: *The remuneration policy has not been developed in a form of document yet. AmRest discloses in the Supplement to its Directors' Report the information on remuneration and number of options for AmRest shares granted to the Management and Supervisory Board Members. The Management Board together with the Remuneration Committee will analyze the rationale and the possible method of implementing this corporate governance principle in the Company and decide on adoption of this principle or non-compliance with it.*

The document "Best Practice for WSE Listed Companies 2016" is available on the official website of the Warsaw Stock Exchange devoted to the corporate governance of listed companies (www.corp-gov.gpw.pl, in "Regulations" tab).

Statement of AmRest's compliance with the Code of Best Practices for WSE Listed Companies 2016 is available on the Company website (section "Investors", tab "Corporate Governance").

Appendix No. 13: Information about the policy in the area of sponsorship, charity and other similar activities

Charitable activities

1. AmRest defines charity as activities or support for initiatives which help those in need, in a disinterested and beneficial way.
2. Our policy on charity is integrated with the way AmRest delivers on Core Values and in line with AmRest's overall development strategy.
3. Charitable activities must not be detrimental to building and strengthening awareness of the AmRest brand as a socially responsible company nor to creating a positive image of the company.
4. AmRest can engage in specific charitable initiatives, under the condition that an initiative:
   - is in line with AmRest Core Values and corporate strategy,
   - enables building good relations with local communities,
   - is not-for-profit,
   - is related to areas of public benefit, such as: social care, family support and foster care systems, education, learning, bringing up children, health protection and promotion, environment protection and ecology, promotion and organisation of voluntary actions, preventing social exclusion, arts and culture, national heritage protection and relief for victims of natural and other disasters.

   The organizer of the initiative must:

   - be a non-governmental organisation or a public benefit institution, which has been operating for at least a year (reports and statements demonstrating a history of a minimum of one year must be provided)
   - have a good reputation and experience in implementing specific activities (especially in areas in which the organisation is seeking charitable support),
   - not undertake activities supported by companies involved in gambling, arms production or trading, pornography or producers of addictive substances.
5. AmRest does not provide charitable support to:
   - Private persons,
   - Events which require a high financial commitment, if their implementation has not yet started or is still at an early stage, without guarantee of securing funding to cover the costs of the whole event,
   - Events which are of religious, or political character, or exhort discrimination, violence, breaking the law or which threaten the natural environment,
   - Initiatives which can negatively impact the image of AmRest,
   - Initiatives supported by charity programmes of companies which are AmRest competitors, or organisations affiliated to them.
6. The above lists do not exclude other possible criteria, which may influence positively or negatively the final decision as to whether AmRest becomes involved in a given initiative.
7. The decision on awarding charitable support to an initiative is based on an analysis of the initiative and its organiser, the provisions as described above and in relation to the funding available for charitable activities from AmRest.

Sponsorship activities

1. AmRest defines sponsorship as a tool for marketing and building brand recognition in order to promote products or the company through paid participation in a specified event. The sponsor provides funding, materials or services to the initiative being sponsored in return for promotion services for the benefit of the sponsor.

2. The sponsorship policy is in line with AmRest's overall development strategy and forms an integral part of the company's marketing and corporate communication. Sponsorship policy is to support development of AmRest as a whole and also its individual brands and products.
3. The basic objective of AmRest sponsorship activities is to build and strengthen recognition of AmRest as a brand, along with its individual brands and products and to create a positive image of the company.
4. Indirectly, the sponsorship activities are intended to increase sales of AmRest products and to increase market share for the company in target markets.
5. In line with its character and development strategy, AmRest seeks primarily to sponsor events which enable direct communication with its target customer groups.
6. AmRest avoids events, which have no recognition, where organisers have no experience or which are directed at audiences which are outside the company's target markets.
7. AmRest may get involved as a sponsor in an initiative, where the initiative is determined to:
    - be in line with AmRest Core Values and corporate strategy,
    - enable good relations with customers and build closer cooperation with them.

    And where the organiser of the initiative:

    - enjoys a good reputation and experience with respect to implementing specific initiatives,
    - Guarantees industry exclusivity to AmRest, where other sponsors are involved,
    - Provides AmRest with a specified package of promotional benefits, which ensure the visibility of the brand and/or its products.
8. AmRest does not sponsor:
    - Private persons,
    - Events which require high financial commitment, if their implementation has not yet started or is still at an early stage, without guarantee of securing funding to cover the costs of the whole event,
    - Events which are of religious, or political character, or exhort to discrimination, violence, breaking the law or which threaten the natural environment,
    - Initiatives involving organisations with an image that differs from AmRest, which can impact negatively the company's reputation,
    - Initiatives sponsored by companies which are AmRest competitors or organisations affiliated to them.
9. AmRest will analyse with great caution possibilities of sponsoring initiatives, which:
    - are co-sponsored by companies involved in gambling, arms production or trading, pornography or addictive substances,
    - Events which involve a large number of sponsors.
10. The above lists do not exclude other criteria, which may influence positively or negatively the final decision relating to AmRest involvement in a given initiative.
11. The decision on awarding charitable support to an initiative is based on an analysis of the initiative and its organiser, the provisions as described above and in relation to the funding available for sponsorship activities from AmRest.

Appendix No. 14: Financial results for the fourth quarter of 2016

*TABLE 8. CONSOLIDATED FINANCIAL RESULTS FOR THE FOURTH QUARTER OF 2016**

PLN '000	3 months ended 31/12/2016	3 months ended 31/12/2015
Continued operations		
Revenue from restaurant operations	1 144 657	857 199
Revenue from franchising and other activities	69 867	60 675
Total revenue	1 214 524	917 874
Direct costs of restaurant operations:		
Food product costs	(337 786)	(267 042)
Salaries and wages and related employee benefits	(263 330)	(183 941)
Costs of licence (franchise) fees	(58 391)	(42 214)
Rental costs and other operating expenses	(345 749)	(266 422)
Total costs of franchising and other activities	(46 046)	(38 602)
General and administrative expenses	(92 148)	(81 733)
Revaluation of assets	(9 494)	(13 207)
Total operating costs and expenses	(1 152 944)	(893 161)
Other operating income	5 729	14 183
Operating profit	**67 309**	**38 896**
Financial expenses	(13 096)	(11 016)
Financial income	1 151	7 248
Share in profit (loss) of associates	91	414
Profit before income tax	**55 455**	**35 542**
Income tax	(4 664)	3 142
Profit (loss) from continued operations	50 791	38 684
Net profit	**50 791**	**38 684**
Net profit /(loss) attributable to		
Minority interest	(1 303)	(3 213)
Equity holders of the parent	52 094	41 897
Net profit	**50 791**	**38 684**
Basic earnings per share in PLN	2,46	1,97
Diluted earnings per share in PLN	2,46	1,97
Continued operations		
Basic earnings per share in PLN	2,46	1,97
Diluted earnings per share in PLN	2,46	1,97
Discontinued operations		
Basic earnings per share in PLN	-	-
Diluted earnings per share in PLN	-	-

* Data have not been audited

*TABLE 9. RECONCILIATION OF ADJUSTED NET PROFIT AND EBITDA IN THE FOURTH QUARTER 2015 AND 2014**

in thousands of PLN		12 months ended December 31, 2016	% of sales	3 months ended December 31, 2016	% of sales	12 months ended December 31, 2015	% of sales	3 months ended December 31, 2015	% of sales	Q4oQ4 change (YTD)	% of change	Q4oQ4 change	% of change
Restaurant sales		*3 947 314*	*93.8%*	*1 144 657*	*94.2%*	*3 123 773*	*93.6%*	*857 199*	*93.4%*	*823 541*	*26.4%*	*287 458*	*33.5%*
Franchise and other sales		*260 055*	*6.2%*	*69 867*	*5.8%*	*214 967*	*6.4%*	*60 675*	*6.6%*	*45 088*	*21.0%*	*9 192*	*15.1%*
Total sales		**4 207 369**		**1 214 524**		**3 338 740**		**917 874**		**868 629**		**296 650**	
Profit/(loss) for the period		**190 744**	***4.5%***	**50 791**	***4.2%***	**157 339**	***4.7%***	**38 684**	***4.2%***	**33 405**	***21.2%***	**12 107**	***31.3%***
+	*Finance costs*	*48 089*	*1.1%*	*13 096*	*1.1%*	*43 694*	*1.3%*	*11 016*	*1.2%*	*4 395*	*10.1%*	*2 080*	*18.9%*
-	*Finance income*	*-3 326*	*-0.1%*	*-1 151*	*-0.1%*	*-9 646*	*-0.3%*	*-7 248*	*-0.8%*	*6 320*	*-65.5%*	*6 097*	*-84.1%*
-	*Income from associates*	*-59*	*0.0%*	*-91*	*0.0%*	*-588*	*0.0%*	*-414*	*0.0%*	*529*	*-90.0%*	*323*	*-78.0%*
+	*Income tax expense*	*32 726*	*0.8%*	*4 664*	*0.4%*	*4 944*	*0.1%*	*-3 142*	*-0.3%*	*27 782*	*561.9%*	*7 806*	*-248.4%*
+	*Depreciation and Amortisation*	*271 073*	*6.4%*	*75 041*	*6.2%*	*223 881*	*6.7%*	*63 248*	*6.9%*	*47 192*	*21.1%*	*11 793*	*18.6%*
+	*Impairment losses*	*16 329*	*0.4%*	*9 494*	*0.8%*	*16 848*	*0.5%*	*13 207*	*1.4%*	*-519*	*-3.1%*	*-3 713*	*-28.1%*
EBITDA		**555 576**	***13.2%***	**151 844**	***12.5%***	**436 472**	***13.1%***	**115 351**	***12.6%***	**119 104**	***27.3%***	**36 493**	***31.6%***
+	*Start-up expenses [1]*	*26 139*	*0.6%*	*11 440*	*0.9%*	*17 802*	*0.5%*	*6 266*	*0.7%*	*8 337*	*46.8%*	*5 174*	*82.6%*
+	*M&A related expenses [2]*	*3 044*	*0.1%*	*876*	*0.1%*	*719*	*0.0%*	*-*	*0.0%*	*2 325*	*323.6%*	*876*	*n/a*
+ / -	*Effect of SOP exercise method modification [3]*	*8 984*	*0.2%*	*4 387*	*0.4%*	*17 481*	*0.5%*	*7 901*	*0.9%*	*- 8 497*	*-1.0%*	*- 3 514*	*-1.2%*
+ / -	*Indirect taxes adjustments [4]*	*-5 305*	*-0.1%*	*-*	*0.0%*	*-5 579*	*-0.2%*	*-8 396*	*-0.9%*	*274*	*-4.9%*	*8 396*	*-100.0%*
EBITDA adjusted		**588 438**	**14.0%**	**168 547**	**13.9%**	**466 895**	**14.0%**	**121 122**	**13.2%**	**121 543**	**26.0%**	**47 426**	**39.2%**

[1] Start-Up expenses – all material operating expenses incurred in connection with new stores opening prior the opening.
[2] M&A expenses – all material expenses connected with successful acquisition covering professional services (legal, financial, other) directly connected with transaction.
[3] Effect of SOP exercise method modification – is a difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan.
[4] Indirect taxes – all material adjustments for indirect taxes reported in given period but concerning prior reporting periods resulting from tax fillings adjustments. Indirect taxes are mainly VAT, land tax and other EBITDA level taxes.

* Data have not been audited

AmRest Holdings SE
Consolidated annual financial statements
as at and for the twelve months ended
December 31, 2016

Contents

Consolidated annual income statement
for the period ended December 31, 2016

In thousands of Polish Zloty

	Notes	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Continuing operations			
Restaurant sales		3 947 314	3 123 773
Franchise and other sales		260 055	214 967
Total sales	2	4 207 369	3 338 740
Company operated restaurant expenses:			
Food and material		(1 180 839)	(972 180)
Payroll and employee benefits		(908 674)	(686 198)
Royalties		(197 991)	(153 366)
Occupancy and other operating expenses		(1 194 264)	(947 661)
Franchise and other expenses		(168 648)	(141 330)
General and administrative (G&A) expenses		(294 796)	(251 600)
Impairment losses	2,8,10	(16 329)	(16 848)
Total operating costs and losses	3	(3 961 541)	(3 169 183)
Other operating income	4	22 346	26 186
Profit from operations		**268 174**	**195 743**
Finance costs	2,6	(48 089)	(43 694)
Finance income	2,5	3 326	9 646
Income from associates	2,28	59	588
Profit before tax		**223 470**	**162 283**
Income tax expense	2,7	(32 726)	(4 944)
Profit for the period		**190 744**	**157 339**
Profit attributable to:			
Non-controlling interests		180	(2 697)
Equity holders of the parent		190 564	160 036
Profit for the period		**190 744**	**157 339**
Basic earnings per share in Polish zloty	26	8,98	7,54
Diluted earnings per share in Polish zloty	26	8,98	7,54

The consolidated income statement has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.

Consolidated annual comprehensive income statement
for the period ended December 31, 2016

In thousands of Polish Zloty	**Notes**	**For the 12 months ended December 31, 2016**	**For the 12 months ended December 31, 2015**
Profit for the period		190 744	157 339
Other comprehensive income:			
Currency translation differences from conversion of foreign entities		113 659	(21 283)
Net investment hedges	17	(22 386)	(476)
Income tax concerning net investment hedges	7,17	4 253	91
Total items that may be reclassified subsequently to profit or loss		95 526	(21 668)
Other comprehensive income for the period, net of tax		**95 526**	**(21 668)**
Total comprehensive income for the period		**286 270**	**135 671**
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		287 291	135 420
Non-controlling interests		(1 021)	251

The consolidated annual comprehensive income statement has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.

Consolidated annual statement of financial position
as at December 31, 2016

In thousands of Polish Zloty

	Notes	31.12.2016	31.12.2015 (after adjustments)*
Assets			
Property, plant and equipment	8	1 343 738	1 060 019
Goodwill	2,11	769 063	585 378
Other intangible assets	10	604 139	574 109
Investment properties	9	22 152	22 152
Investments in associates	28	888	828
Other non-current assets	12	62 503	51 801
Deferred tax assets	7	49 674	33 352
Total non-current assets		**2 852 157**	**2 327 639**
Inventories	13	82 086	63 550
Trade and other receivables	14,31	99 384	91 929
Corporate income tax receivables	7	12 797	5 458
Other current assets	15	102 898	43 355
Cash and cash equivalents	16	291 641	317 871
Total current assets		**588 806**	**522 163**
Total assets	2	**3 440 963**	**2 849 802**
Equity			
Share capital		714	714
Reserves	17	648 886	678 306
Retained earnings		655 020	464 456
Translation reserve	17	4 413	(110 447)
Equity attributable to shareholders of the parent		**1 309 033**	**1 033 029**
Non-controlling interests	17	**67 577**	**71 045**
Total equity		**1 376 610**	**1 104 074**
Liabilities			
Interest-bearing loans and borrowings	18	1 039 033	1 035 946
Finance lease liabilities	23	7 880	7 921
Employee benefit liability	19	19 850	26 677
Provisions	20	23 717	4 245
Deferred tax liability	7	117 818	90 492
Other non-current liabilities	21	8 429	14 901
Total non-current liabilities		**1 216 727**	**1 180 182**
Interest-bearing loans and borrowings	18	223 255	89 418
Finance lease liabilities	23	1 636	1 323
Trade and other accounts payable	22	614 929	461 774
Corporate income tax liabilities	7	7 806	13 031
Total current liabilities		**847 626**	**565 546**
Total liabilities	2	**2 064 353**	**1 745 728**
Total equity and liabilities		**3 440 963**	**2 849 802**

The consolidated statement of financial position has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.

* The adjustment resulted from final purchase price allocation process of S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.) described in note 1cc).

Consolidated annual cash flow statement
for period ended December 31, 2016

In thousands of Polish Zloty	Notes	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Cash flows from operating activities			
Profit before tax	2,7	223 470	162 283
Adjustments for:			
Share of profit of associates	28	(59)	(588)
Amortization	2,10	33 341	26 947
Depreciation	2,8	237 732	196 934
Interest expense, net	5,6	33 864	33 285
Foreign exchange result	5,6	2 903	(5 204)
Loss on disposal of property, plant and equipment and intangibles	8	1 642	(320)
Impairment of property, plant and equipment and intangibles	2,8,10	16 958	13 249
Equity-settled share-based payments expenses	19	22 415	26 240
Working capital changes:	16		
Change in receivables		(2 829)	(27 373)
Change in inventories		(9 575)	(12 890)
Change in other assets		(3 926)	(28 412)
Change in payables and other liabilities		(45 486)	111 401
Change in other provisions and employee benefits		12 879	(5 431)
Income tax paid		(31 754)	(14 988)
Interest paid		(36 939)	(36 508)
Interest received	5	3 084	3 223
Dividends received from associates		-	158
Other		(823)	(251)
Net cash provided by operating activities		**456 897**	**441 755**
Cash flows from investing activities			
Expenses on acquisition of subsidiaries, decreased by cash	2	(155 147)	(64 025)
Proceeds related to the acquisition of subsidiaries		14 330	-
Proceeds from the sale of property, plant and equipment, and intangible assets	8,10	4 192	5 599
Acquisition of property, plant and equipment		(372 822)	(256 527)
Acquisition of intangible assets	10	(29 684)	(20 296)
Expense on loans given to other entities		-	198
Net cash used in investing activities		**(539 131)**	**(335 051)**
Cash flows from financing activities			
Proceeds from share issuance (employees options)		11 056	9 332
Expense on acquisition of own shares (employees options)		(50 079)	(49 779)
Expense on settlement of employee stock option in cash		(4 134)	(8 740)
Proceeds from loans and borrowings		202 922	12 018
Repayment of loans and borrowings		(91 085)	(7 211)
Dividends paid to non-controlling interest owners		(2 205)	(1 470)
Proceeds related to the acquisition of non-controlling interest		1 111	-
Proceeds/(repayment) of finance lease payables		(1 439)	1 102
Net cash provided by/(used in) financing activities		**66 147**	**(44 748)**
Net change in cash and cash equivalents		**(16 087)**	**61 956**
Balance sheet change of cash and cash equivalents		(26 230)	60 700
Cash and cash equivalents, beginning of period		317 871	257 171
Effect of foreign exchange rate movements		(10 143)	(1 256)
Cash and cash equivalents, end of period		**291 641**	**317 871**

The consolidated cash flow statement has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.

AmRest Holdings SE

Consolidated annual statement of changes in equity for the 12 months ended December 31, 2016

	Attributable to equity holders							
		Reserved capital (note 17)						
	Issued capital	Treasury shares	Other reserved capital	Retained Earnings	Cumulative translation adjustments	**Total equity attribu-table to equity hol-ders of the parent**	Non-controlling interest	**Total Equity**
As at January 1, 2015	**714**	**(4 014)**	**696 638**	**304 420**	**(86 216)**	**911 542**	**64 100**	**975 642**
COMPREHENSIVE INCOME								
Income for the period	-	-	-	160 036	-	**160 036**	(2 697)	**157 339**
Currency translation differences (note 17)	-	-	-	-	(24 231)	**(24 231)**	2 948	**(21 283)**
Valuation impact of net investment hedging instruments	-	-	(476)	-	-	**(476)**	-	**(476)**
Deferred income tax concerning net investment hedges (note 7)	-	-	91	-	-	**91**	-	**91**
Total Comprehensive Income	**-**	**-**	**(385)**	**160 036**	**(24 231)**	**135 420**	**251**	**135 671**
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS								
Takeover of full control over the subsidiary	-	-	(8 006)	-	-	(8 006)	8 006	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(1 312)	**(1 312)**
Total transaction with non-controlling shareholders	**-**	**-**	**(8 006)**	**-**	**-**	**(8 006)**	**6 694**	**(1 312)**
TRANSACTION WITH SHAREHOLDERS								
Purchase of treasury shares	-	(49 779)	-	-	-	**(49 779)**	-	**(49 779)**
Proceeds from treasury shares	-	32 581	(32 581)	-	-	**-**	-	**-**
Employee stock option plan – value of employee services excerised in the period	-	-	18 180	-	-	**18 180**	-	**18 180**
Employee stock option plan – proceeds from employees - value of disposed shares	-	-	9 332	-	-	**9 332**	-	**9 332**
Employee stock option plan – value of unexercised employee benefits	-	-	12 624	-	-	**12 624**	-	**12 624**
Change of deferred tax related to unexercised employee benefits	-	-	3 716	-	-	**3 716**	-	**3 716**
Total transaction with shareholders	**-**	**(17 198)**	**11 271**	**-**	**-**	**(5 927)**	**-**	**(5 927)**
As at December 31, 2015	**714**	**(21 212)**	**699 518**	**464 456**	**(110 447)**	**1 033 029**	**71 045**	**1 104 074**
As at January 1, 2016	**714**	**(21 212)**	**699 518**	**464 456**	**(110 447)**	**1 033 029**	**71 045**	**1 104 074**
COMPREHENSIVE INCOME								
Income for the period	-	-	-	190 564	-	**190 564**	180	**190 744**
Currency translation differences (note 17)	-	-	-	-	114 860	**114 860**	(1 201)	**113 659**
Valuation impact of net investment hedging instruments	-	-	(22 386)	-	-	**(22 386)**	-	**(22 386)**
Deferred income tax concerning net investment hedges (note 7)	-	-	4 253	-	-	**4 253**	-	**4 253**
Total Comprehensive Income	**-**	**-**	**(18 133)**	**190 564**	**114 860**	**287 291**	**(1 021)**	**286 270**
TRANSACTION WITH NON-CONTROLLING SHAREHOLDERS								
Payments from non-controlling interest	-	-	-	-	-	-	5 928	5 928
Takeover of control over the subsidiary	-	-	(3 677)	-	-	(3 677)	(6 170)	**(9 847)**
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(2 205)	**(2 205)**
Total transaction with non-controlling shareholders	**-**	**-**	**(3 677)**	**-**	**-**	**(3 677)**	**(2 447)**	**(6 124)**
TRANSACTION WITH SHAREHOLDERS								
Purchase of treasury shares	-	(50 079)	-	-	-	**(50 079)**	-	**(50 079)**
Proceeds from treasury shares	-	60 168	(60 168)	-	-	**-**	-	**-**
Employee stock option plan – value of employee services excerised in the period	-	-	19 687	-	-	**19 687**	-	**19 687**
Employee stock option plan – proceeds from employees - value of disposed shares	-	-	11 056	-	-	**11 056**	-	**11 056**
Employee stock option plan – value of unexercised employee benefits	-	-	(4 457)	-	-	**(4 457)**	-	**(4 457)**
Efect of modification of employee stock option plan	-	-	13 515	-	-	**13 515**	-	**13 515**
Change of deferred tax related to unexercised employee benefits	-	-	2 668	-	-	**2 668**	-	**2 668**
Total transaction with shareholders	**-**	**10 089**	**(17 699)**	**-**	**-**	**(7 610)**	**-**	**(7 610)**
As at December 31, 2016	**714**	**(11 123)**	**660 009**	**655 020**	**4 413**	**1 309 033**	**67 577**	**1 376 610**

The statement of changes in consolidated equity has to be analyzed jointly with the notes which constitute an integral part of these consolidated financial statements.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

1. Information on the Group and significant accounting policies

a) General information

AmRest Holdings SE ("the Company", "AmRest", "Equity holders of the parent") was established in the Netherlands in October 2000 as a joint-stock company. On September 19, 2008, the Commercial Chamber in Amsterdam registered the change in the legal status of the Company to a European Company (Societas Europaea) and of its name to AmRest Holdings SE. On December 22, 2008, the District Court for Wrocław-Fabryczna in Wrocław registered the new registered office of AmRest in the National Court Register. The address of the Company's new registered office is: pl. Grunwaldzki 25-27, Wrocław (50-365), Poland.The Court also registered amendments to the Company's Memorandum of Association related to the transfer of the registered office of AmRest to Poland.

AmRest is the first public company in Poland operating in the form of a European Company. The purpose of transforming AmRest into a European Company was to increase its operating effectiveness and reduce operating and administrative expenses. Following the fact of transfer into European Company and transfer of Company registered head office to Poland, the functional currency of AmRest holdings SE since January 1, 2009 is Polish zloty (PLN).

Here after, the Company and its subsidiaries shall be referred to as "the Group". The Group's consolidated financial statements for the 12-month period ended December 31, 2016 cover the Company, its subsidiaries and the Group's shares in associates.

These consolidated financial statements were approved by the Company's Management Board on March 16, 2017.

The Group's core activity is operating Kentucky Fried Chicken ("KFC"), Pizza Hut, Burger King and Starbucks restaurants through its subsidiaries in Poland, the Czech Republic (further Czech), Hungary, Slovakia, Russia, Serbia, Croatia, Bulgaria, Romania, Germany and Spain, on the basis of franchises granted. In Spain, France, Germany and China the Group operates its own brands La Tagliatella, Trastevere and il Pastificio. This business is based on the franchise agreements signed with non related companies and own restaurants. It is supported by the central kitchen which produces and delivers products to the whole network of own brands. Additionally, in China since December 21, 2012 the Group operates its own brands Blue Frog and KABB.

On April 27, 2005, the shares of AmRest Holdings SE were quoted for the first time on the Warsaw Stock Exchange ("WSE").

As at December 31, 2016, FCapital Dutch B.V. was the largest shareholder of AmRest and held 61.85% of its shares and voting rights. The parent entity of the Group on the top level is Grupo Far-Luca, S.A. de C.V. The directly dominant person of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González.

Pursuant to the information available to the Company, as at the date of release of this annual report, that is March 16, 2017 the following shareholders submitted information on holding directly or indirectly (through subsidiaries) 5% or more of the total vote at the General Shareholders Meeting of AmRest Holdings SE:

Shareholders	Shares amount	Share in Equity%	Shares amount at AGM	Share at AGM%
FCapital Dutch B.V.*	13 121 152	61.85%	13 121 152	61.85%
Nationale-Nederlanden OFE**	2 034 893	9.59%	2 034 893	9.59%
Gosha Holding S.à.r.l.***	1 242 056	5.85%	1 242 056	5.85%
Other shareholders	4 815 792	22.70%	4 815 792	22.70%

* FCapital Dutch B. V. is the dominant entity of FCapital Lux (previously Cullinan S.à.r.l.) (holding 6 394 362 AmRest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finacces SAPI de CV is the directly dominant entity of Finaccess Capital, S.A. de C.V. and a subsidiary of Grupo Far-Luca, S.A. de C.V. The directly dominant person of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González, is the Supervisory Board member of AmRest.

** The previous name: ING OFE

*** Gosha Holding S.à.r.l. is the entity which is connected with Mr Henry McGovern and Mr Steven Kent Winegar, Supervisory Board members of AmRest.

Pizza Hut and KFC

Pizza Hut and KFC restaurants operate on the basis of franchise agreements signed with YUM! and YUM! Restaurants International Switzerland, Sarl ("YRIS") which is a subsidiary of YUM! Each of the franchise agreements covers a period of 10 years, with the possibility of extending it for a further 10-year period, which is conditional to meeting operating terms and conditions specified in the agreements.

Burger King

On March 8, 2007, the Company signed a "Development Agreement" with Burger King Europe GmbH ("BKE"), relating to opening and operating Burger King restaurants in Poland on a franchise basis. Burger King restaurants operate on the basis of franchise agreements signed with Burger King Europe GmbH with its registered office in Zug, Switzerland. Each of the franchise agreements covers a period of 10 years, with the possibility of extending it for a further 10-year period, which is conditional to meeting specific terms and conditions specified in the agreements. For restaurants opened between March 01, 2009 and June 30, 2010 and after this period the franchise agreement was prolonged from 10 to 20 years from the opening date of new restaurants, but without possibility to prolong this period for next 10 years.

The main terms and conditions of the signed "Development Agreement" are as follows:

- During the first two years after opening the first Burger King restaurant by the Group, BKE will pay to the advertising and sales promotion fund an amount equal to 2.5% of the monthly sales of all Burger King restaurants operated by the Group. During the third year of opening the first Burger King restaurant by the Group, BKE will pay to the advertising and sales promotion fund an amount equal to 2.0% of the monthly sales of all Burger King restaurants operated by the Group.
- During the first five years, the preliminary fee paid by the Group in respect of franchise agreements concluded for each Burger King restaurant for a period of 10 years will amount to USD 25.000 (should the Group extend the franchise period for a further 10 years, the fee for renewing the franchise will amount to another USD 25.000). Upon opening each consecutive Burger King restaurant exceeding the number of restaurants specified in the development plan, the preliminary fee will be reduced by 50%.

As at August 10, 2010 between BKE, AmRest sp. z o.o., AmRest BK s.r.o.(present AmRest s.r.o. after the merger as at December 28, 2011) and Company "Strategic Development Agreement" was signed partially amending "Development Agreement" and franchise agreement was signed with AmRest Sp. z o.o. and AmRest BK s.r.o., considering opening and running Burger King restaurants, in Poland and Czech, respectively.

Agreement describes terms of opening and operating new Burger King restaurant in Poland and Czech. In this agreement were agreed amounts of new Burger King restaurants, that AmRest Sp. z o.o. in Poland and AmRest s.r.o. in Czech is obliged to open in agreed timeframe. In this agreement were also agreed rules of modification in agreed chain development schedules for given year. It was also established in agreement that if AmRest Sp. z o.o. or AmRest s.r.o. will not fulfill their obligations from development agreements concerning amount of new openings, each side of agreement (Group and BKE) will have right to cancel development agreement according to rules described in development agreement.

Validity period of franchisee agreement, therefore licenses for Burger King restaurants opened in Poland in period from March 1, 2009 till June 30, 2010, and also for newly opened restaurants in Poland was extended from 10 to 20 years since date of restaurant opening, however without option of prolongation for next 10 years, what was provided in original development agreement with AmRest sp. z o.o. In relation to restaurants opened in Poland in the period from March 1, 2009 to June 30, 2010 and in relation to restaurants opened after this period (for franchise agreements for 20 years) was increased also amount of initial franchise payment from 25.000 USD to 50.000 USD.

According to „Strategic development agreement", Companies of the Group guaranteed to BKE fulfilling of AmRest sp. z o.o. and AmRest s.r.o obligations resulting from development agreements. Companies of the Group are committed to cover any damages to BKE caused by the developers actions, that is AmRest sp. z o.o. and AmRest s.r.o.

The agreement was concluded for a fixed term until 30 June 2015. Provided that the duration of the contract will be extended until the end of the development agreements concluded with AmRest Sp. z o.o and AmRest s.r.o. On

November 13, 2015 an ammendment letter to Strategic Development Agreement was signed extending its terms till December 31, 2016.

From January 1, 2017 any new restaurant is opened in accordance with a separate standard franchise agreement for each new opened unit, without general area-wide development agreements in place.

Starbucks

On May 25, 2007, the Group signed agreements with Starbucks Coffee International, Inc. (“Starbucks”) relating to the development of Starbucks cafés in Poland, Czech and Hungary. The agreement covers a period to May 31, 2022 and provides for an option to extend it for another 5 years, after specific terms and conditions have been met.

The Parties established three separate companies in each of the 3 countries: Poland, the Czech and Hungary. On March 27, 2007, a new company was established in Poland – AmRest Coffee Sp. z o.o. Czech AmRest Coffee s.r.o. was established on August 14, 2007, and the Hungarian AmRest Kávézó Kft on August 31, 2007. These companies are the only entities authorized to develop and run Starbucks cafés in Poland, the Czech and Hungary, without exclusivity rights to some of the institutional locations.

The Group took up 82%, and Starbucks 18% of the share capital in the newly established companies. From the ninth year of operation of the agreement Starbucks has an unconditional option to increase its shares to a maximum of 50%. In the event of a disputed take-over or change of control over the Company and/or its shareholders, Starbucks will be entitled to increase its share to 100% by purchasing shares from the Group. According to Company’s Management assessment as at the day of this financial statement issuance, there are no material indicators making mentioned above options realizable.

The Group is obliged to develop and run Starbucks cafés in accordance with the development plan which stipulates the minimum number of cafés to be opened each year in the period of the agreements being in force. Should the Group not discharge the duties following from the development plan, Starbucks will be entitled to charge it contractual penalty or terminate the agreements. The Agreements also include provisions relating to deliveries of coffee and other basic raw materials from Starbucks or other approved or determined suppliers.

As at June 24, 2015 Group has started operations of Starbucks in Romania and Bulgaria after 100% share acquisition of sole operators on those markets (note 2).

On September 29, 2015 AmRest Group entities in writting confiremd with Starbucks EMEA Ltd opening obligations in years 2015 – 2020 for 5 markets: Poland, Czech Republic, Romania and Bulgaria.

On January 22, 2016 an area development and operation agreement and supply agreement was signed by AmRest Group regarding the rights and license to develop, to own and operate Starbucks stores in Slovakia.

On May 23, 2016 operations of Starbucks in Germany have been started after 100% share acquisition of one of the operators on this market.

La Tagliatella

Group is running proprietary brands from La Tagliatella group since April 28, 2011, when controlling interests of Spanish AmRestTAG S.L. were acquired, and Blue Frog and KABB since December 21, 2012, when Group acquired controlling interests in Blue Horizon Hospitality PTE Ltd. Group.

La Tagliatella proprietary brands are run as equity stores mostly on Spanish market and heavily developed new markets, additionally in Spain are present franchise activities together with well developed supply chain management processes. In franchise activities entities within Spanish Group are signing agreements with third parties to run restaurant under proprietary brand of AmRest, according to agreement terms they are expected to follow set standards, use common supply chain and pay agreed intital fee and monthly franchise fee based as percentage of net sales. This agreeements are long term with restricted terms of notice. La Tagliatella restaurants are places with unique décor, serving Italian food, based on fresh, high quality and original ingridients, served in fast casual form.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Blue Frog and KABB

Proprietary brands of Blue Frog and KABB are only located within China. In modern interriors dishes from contemporary western cuisine are served meeting high demand from mid and upper class. KABB brand is perceived as premium one with high quality of service and food offered.

Pizza Hut development

On August 16th, 2016 AmRest informed about signing on August 15th, 2016 the Master Franchise Agreement ("MFA") and Development Agreement ("DA") (collectively: the "Agreements") with Pizza Hut Europe Sarl (US Branch) ("PH Europe"). The Agreements determine the rights and license to develop, own and operate Pizza Hut restaurants in countries of Central and Eastern Europe: Poland, Czech Republic, Hungary, Bulgaria, Serbia, Croatia, Slovakia and Slovenia. The provisions of the Agreements apply from October 1st, 2016.

According to the MFA, AmRest, as a master-franchisee, obtained the right to granting the license to the third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise), while ensuring a certain share of restaurants operated directly by the Company.

The MFA was granted for initial period of 10 years with an option of further prolongations upon the fulfillment of certain terms and conditions.

The DA was concluded for a period of 5 years and will be prolonged for another 5 years on terms and conditions to be determined by the parties. In order to facilitate the growth of scale of Pizza Hut business, PH Europe will introduce an incentive mechanism reducing certain fees incurred by AmRest under the MFA ("Reduced Fees"), provided that the Company meets certain development obligations specified in the DA.

Upon entry into force of the Agreements AmRest is required to open and operate Pizza Hut Express and Delivery restaurants in accordance with the development schedule setting the minimum number of openings in the subsequent years of the Agreements' term. If AmRest fails to meet the development obligations, PH Europe will have the right to increase the Reduced Fees and change terms or terminate the MFA and/or DA. The Company's intention is to open about 300 Pizza Hut restaurants within 5 years.

In the opinion of the Management Board of AmRest there is a great potential for growing Pizza Hut brand in Central and Eastern Europe. Master-franchisee right will contribute to strengthening AmRest's leadership position of restaurant operator in the region and drive the value creation for AmRest's shareholders.

Group structure

As at December 31, 2016 , the Group comprised the following subsidiaries:

Company name	**Seat**	**Parent/non-controlling undertaking**	**Owner-ship interest and total vote**	**Date of effective control**
		Holding activity		
AmRest Acquisition Subsidiary Inc.	Birkirkara, Malta	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.U	Madrid, Spain	AmRest Sp. z o.o.	100.00%	March 2011
AmRestavia S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
Restauravia Grupo Empresarial S.L.	Madrid, Spain	AmRestavia S.L.U.	16.52%	April 2011
		AmRest TAG S.L.U.	83.48%	
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	100.00%	September 2011
Blue Horizon Hospitality Group PTE Ltd*	Singapore, China	AmRest Holdings SE	67.56%	December 2012
		WT Equities	14.10%	
		BHHG	14.10%	
		MJJP	4.24%	
Bigsky Hospitality Group Ltd	Hong Kong, Chiny	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
New Precision Ltd	Apia, Samoa	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
Horizon Group Consultants (BVI)	Road Town, Tortola, BVI	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
Kai Fu Restaurant Management (Shanghai) Co., Ltd.	Shanghai, China	Blue Frog Food&Beverage Management Ltd	100,00%	December 2016
		Restaurant activity		
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czech	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. Starbucks Coffee International, Inc.	82.00% 18.00%	March 2007
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Petersburg, Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o.o.	0.22% 99.78%	July 2007
AmRest Coffee s.r.o.	Prague, Czech	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest d.o.o.	Belgrad, Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00% 40.00%	October 2007
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
Restauravia Food S.L.U.	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Service S.L.U.	Lleida, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Restaurantes S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
Pastificio S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
AmRest Restaurant Management Co. Ltd	Shanghai, China	AmRest HK Ltd	100.00%	November 2012
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011
AmRest GmbH**	Cologne, Germany	AmRestavia S.L.U.	100.00%	March 2012
AmRest SAS	Lyon, France	AmRestavia 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 Group Consultants (BVI)	100.00%	December 2012
AmRest Skyline GmbH	Cologne, Germany	AmRestavia 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
AmRest Coffe S.r.l.	Bucharest, Romania	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Coffee SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o. AmRest Sp. z o.o.	99.00% 1.00%	December 2015

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Company name	**Seat**	**Parent/non-controlling undertaking**	**Owner-ship interest and total vote**	**Date of effective control**
AmRest Coffee Deutschland	Munich, Germany	AmRest Kaffee Sp. z o.o.	85.00%	May 2016
Sp. z o.o. & Co. KG		AmRest Capital Zrt	15.00%	
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.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	December 2016
		Financial services for the Group		
AmRest Capital Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
AmRest Finance Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o	100.00%	March 2012
La Tagliatella International Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella Financing Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella SAS	Lyon, France	AmRestavia 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
		Supply services for restaurants operated by the Group		
SCM Sp. z o.o.	Chotomow, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		R&d Sp. z o.o.	43.80%	
		Beata Cylny	5.00%	
		Zbigniew Cylny	0.20%	
Activita Sp. z o.o.	Warsaw, Poland	SCM Sp. z o.o.	100,00%	October 2014

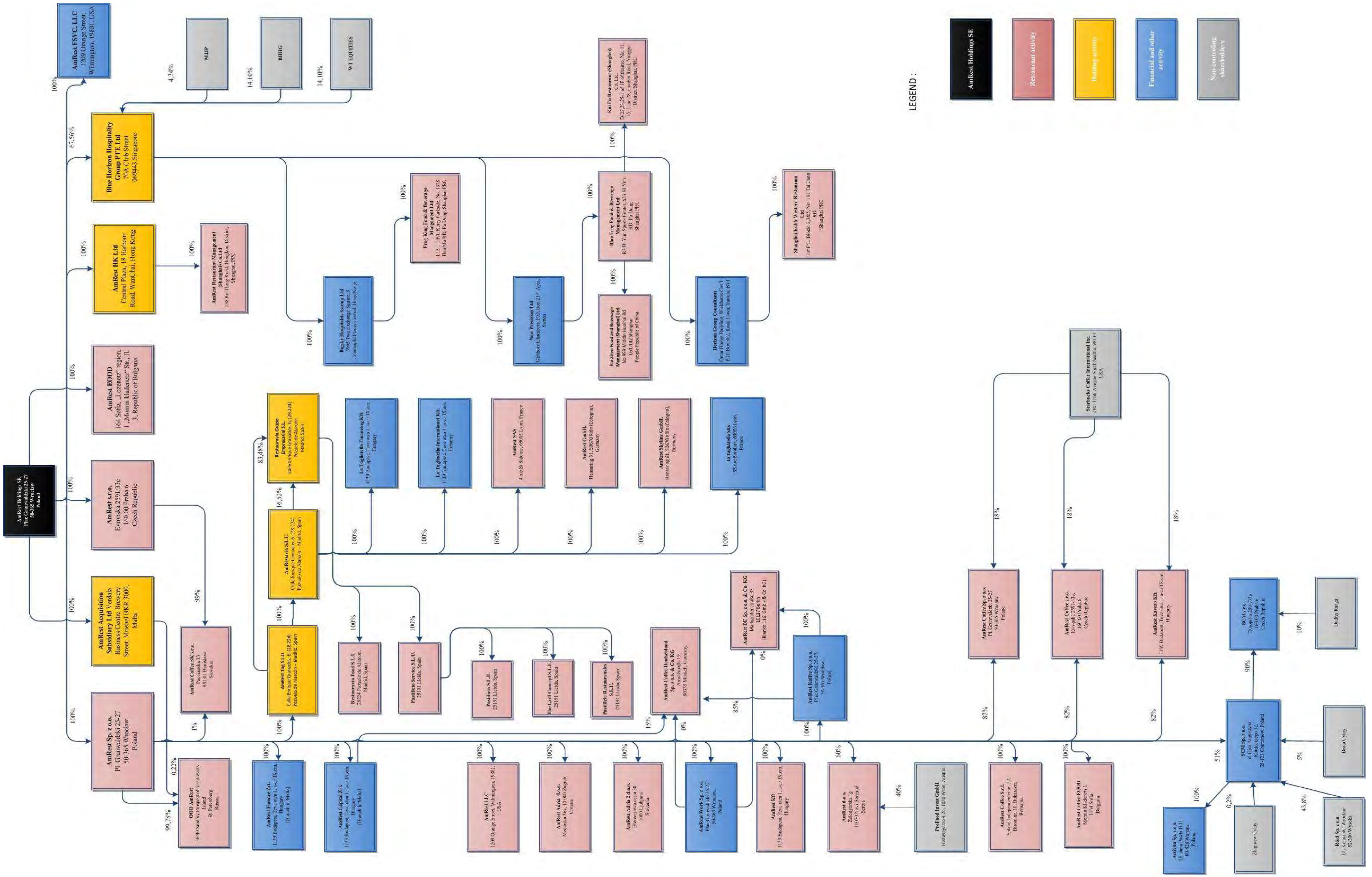
* On February 24, 2017, the resolution about a purchase of Blue Horizon Hospitality Group PTE Ltd shares from minority shareholders was passed. As a result, AmRest Holdings SE purchased 32.44% additional shares and from that date became a sole owner of the company.

** On November 25, 2016 Amrestavia, S.L.U., the sole shareholder of AmRest GmbH, has decided to liquidate this company.

As at December 31, 2016 the Group posses the following associated entities included in the financial statements under the equity method:

Company name	**Seat**	**Core business**	**Parent/ non-controlling undertaking**	**Owner-ship interest and total Group vote**	**Date of acquisition**
SCM s.r.o.	Prague, Czech	Delivery services for restaurants provided to the Group	SCM Sp. z o.o.	45.90%	March 2007

The Group's office is in Wroclaw, Poland. At December 31, 2016 the restaurants operated by the Group are located in Poland, the Czech Republic, Hungary, Slovakia, Russia, Bulgaria, Romania, Serbia, Croatia, Spain, Germany, France and China.



Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

At December 31, 2016 and December 31, 2015 the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group:

Summarised balance sheet

2016	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Current Assets	24 882	24 211	5 457	32 403	17 579	3 897
Liabilities	(54 109)	(11 639)	(6 704)	(15 864)	(5 707)	(1 913)
Total current net assets	(29 227)	12 572	(1 247)	16 539	11 872	1 984
Non-current assets	89 503	31 605	17 607	45 018	4 257	3 257
Liabilities	(9 282)	(276)	(72)	(86)	(1 019)	(7)
Total non-current net assets	80 221	31 329	17 535	44 932	3 238	3 250
Net assets	50 994	43 901	16 288	61 471	15 110	5 234

2015	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Current Assets	27 770	16 872	7 193	7 446	16 129	2 678
Liabilities	(42 954)	(10 856)	(5 447)	(11 186)	(4 986)	(1 373)
Total current net assets	(15 184)	6 016	1 746	(3 740)	11 143	1 305
Non-current assets	90 866	29 537	12 368	36 208	3 594	2 919
Liabilities	(12 765)	(180)	(1)	(4)	(381)	(7)
Total non-current net assets	78 101	29 357	12 367	36 204	3 213	2 912
Net assets	62 917	35 373	14 113	32 464	14 356	4 217

Summarised income statement

2016	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Total sales	229 028	76 779	35 749	85 026	46 118	14 472
Profit before tax	(10 507)	9 120	2 103	(3 930)	6 755	954
Income tax expense/income	(11)	(2 053)	(597)	-	(1 560)	-
Profit/loss for the period	(10 518)	7 067	1 506	(3 930)	5 195	954
Profit/loss for the period allocated to Non-controlling interests	(3 583)*	1 272	271	(707)	2 546	382

2015	Blue Horizon Hospitality Group PTE Ltd.	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	AmRest d.o.o.
Total sales	208 017	60 352	25 885	73 918	36 377	13 484
Profit before tax	(13 021)	6 407	946	(6 707)	5 421	674
Income tax expense/income	2 285	(1 379)	(375)	-	(1 191)	-
Profit/loss for the period	(10 736)	5 028	571	(6 707)	4 230	674
Profit/loss for the period allocated to Non-controlling interests	(4 102)**	905	103	(1 207)	2 073	270

* On November 15, 2016 Company passed a resolution on purchase share from Coralie Danks in Blue Horizon Hospitality PTE LTD which resulted additional 5.23% of shares. On February 24, 2017, the resolution about a purchase of Blue Horizon Hospitality Group PTE Ltd shares from minority shareholders was passed. As a result, AmRest Holdings SE purchased 32.44% additional shares and from that date became a sole owner of the company.

** On January 30, 2015 Company passed a resolution of increase share capital in Blue Horizon Hospitality PTE LTD in amount of TUSD 4 454 which resulted additional 2.78% of shares. On July 13, 2015 the process of issuing shares has finished and resulted in reduction of shares by 0.63%.

The subsidiaries in which they have non-controlling interest, there are no significant restrictions on the possibility of accesses to the assets or their use and settlement of obligations.

As at the date of publication of this report, Group companies with non-controlling interests did not prepare the separated cash flows in accordance with the International Financial Reporting Standards. From the point of view of the Group, they would not be meaningful, because to a large extent they would be driven by transactions with related parties.

b) Representations on compliance of the financial statements with the International Financial Accounting Standards

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union for annual financial reporting, in force as at December 31, 2016.

As at December 31, 2016 there are no discrepancies between the accounting policies adopted by the Group according to IFRS standards accepted to use in European Union and the IFRS standards published by the International Accounting Standards Board ("IASB").

c) Form of presentation of the consolidated financial statements

The consolidated financial statements are presented in Polish zloty (PLN), rounded up/down to full thousands.

The financial statements were prepared on the historical cost excluding valuation of derivative instruments and investment properties to their fair value.

The preparation of the IFRS financial statements requires the Management of the Company to make certain assumptions and estimates which are reflected in the accounting policy and that affect the reported amounts of assets and liabilities and reported revenues and expenses during the period. The results of the estimates and the respective assumptions being the result of experience and various factors deemed to be justified in given circumstances are the basis for assessing the values of assets or liabilities which do not result directly from other sources. The actual financial results may differ from the adopted estimates.

The estimates and the assumptions on which they are based are subject to current verification. The adjustment of accounting estimates is recognized in the period in which it was made, on condition that it only relates to that period, or in the period in which it was made, and in future periods, if it relates both to the current and future periods.

Note 30 describes the assessments made by the Management Board which have a significant impact on the financial statements and the estimates which are at risk of significant adjustments in the following period.

d) Basis of preparation of the consolidated financial statements

Subsidiaries

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date, on which such control ends. The parent controls an entity, if the parent has:

- power over this entity,
- exposure, or rights, to variable returns from its involvement with the entity, and
- the ability to use its power over the entity to affect the amount of its returns.

The Company reassesses whether it controls the entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Where an investor has less than a majority of voting rights in the given entity, but the voting rights held are sufficient for the investor to have the practical ability to direct the relevant activities of the given entity unilaterally, it means that the investor has the power over this entity. When assessing whether the Company's voting rights are sufficient to give it power, the Company considers all facts and circumstances, including:

- the size of its holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Transactions, settlements and unrealized gains on intercompany transactions are eliminated. Unrealized losses are also eliminated unless the transaction proves the impairment of the given asset transferred. Accounting policies used by subsidiaries were changed where necessary to ensure compliance with the Group accounting policies.

Non-controlling interests and transactions with non-controlling interests

Any changes in the shareholding structure of the parent company that do not result in a loss of control over subsidiary company are recognised as equity transactions. In such cases, in order to reflect changes in the relative interest in a subsidiary, the Group adjusts the carrying amount of the controlling and non-controlling interest. All differences between the value of the adjustment to the non-controlling interest and the fair value of the consideration paid or received are taken to the shareholders' equity and allocated to the owners of the parent.

Associates

An associate is an entity on which the parent has, directly or indirectly through subsidiary companies, a significant influence, and which is neither its subsidiary nor joint venture, which usually accompanies holding 20% to 50% of the general number of votes in the decision-making body of the entity. Investments in associates are accounted for according to the equity method and are initially stated at cost. The Group's investment in associates includes goodwill (net of any potential accumulated impairment write-downs), determined as at the acquisition date.

The Group's share in the results of the associates from the date of purchase has been recorded in the income statement. Its share in other comprehensive income and movements in other equity items, from the date of purchase, has been recorded in other comprehensive income. The carrying value of the investment is adjusted for the total movements from the date of purchase. When the Group's share in the losses of an associate becomes equal or higher than the book value of Group's share in the associate, which covers potential unsecured receivables, the Group discontinues recognizing further losses unless it has assumed the obligation or has made payments on behalf of the given associate.

Unrealized gains on transactions between the Group and its associates are eliminated in proportion to the Group's share in the said entities. Unrealized losses are also eliminated unless the transaction proves that the given asset transferred has been impaired. Accounting policies used by subsidiaries were changed where necessary to ensure compliance with the Group accounting policies.

e) Going concern assumption

Information presented below should be read together with information provided in note 32 and 18, describing accordingly: significant post balance sheet events after December 31, 2016 and borrowings.

The consolidated annual financial statements have been prepared on the assumption that the Group companies will continue as a going concern in the foreseeable future. As at the date of authorisation of these consolidated financial statements, the parent company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group.

As it was described in note 18 "Borrowings", financial liabilities resulting from loan agreement signed September 10, 2013 between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Rabobank Polska S.A. (currently Bank BGŻ BNP Paribas S.A.) and ING Bank Śląski Polska S.A. Management of Group Parent Entity had analyzed cash-flows for 12 months since balance sheet date of December 31, 2016 and available financing scenarios. In note 30 Management presents analysis of liabilities repayment.

f) Foreign exchange trading

Functional currency and presentation currency

Each of the Group entities maintains financial reporting in the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Group entities operating in Poland is the Polish zloty, the functional currency of the Group entities operating in Czech is the Czech koruna, the functional currency of the Group entities operating in Hungary is the Hungarian forint, the functional currency of the Group entity operating in Russia is the Russian ruble, the functional currency of the Group entity operating in Bulgaria is the Bulgarian lev, the functional currency of the Group entity operating in Serbia is the dinar, the functional currency of the Group entities operating in Spain, Germany, France and Slovakia is the euro, the functional currency of the Group entity operating in Croatia is the kuna, the functional currency of the Group entities operating in China and in Hong Kong is yuan, the functional currency of the Group entity operating in the India is rupee, and the functional currency of the Group entities operating in the USA is the American dollar.

The Group presented its consolidated financial statements in Polish zloty. Polish zloty is the currency of presentation of Group and it is the functional currency of Equity holders of the parent.

Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the rate prevailing as at the transaction date. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated into Polish zloty at the rate prevailing as at that date. Foreign exchange differences arising as a result of translating the transactions denominated in foreign currencies into Polish zloty were recognized in the income statement, except incomes and losses concerning hedging instrument, which constitutes effective hedge presented directly in other comprehensive income. Non-monetary assets and liabilities stated at historical cost and denominated in foreign currencies are translated using the exchange rate as of the transaction date.

Financial statements of foreign operations

The financial result and the financial position of all subsidiaries and associates whose functional currency is other than the presentation currency are translated to the presentation currency using the following procedures:

- assets and liabilities, including goodwill, and adjustments made during the consolidation are translated at the closing rate as at the balance sheet date;
- revenues and costs and elements of other comprehensive income of foreign operations are translated at the mid exchange rate in the given period which approximately reflects translation at the exchange rates prevailing as at the transaction date;
- all the resulting foreign exchange differences are presented in other comprehensive income and accumulated under a separate component of equity as translation differences of foreign operations. Upon the disposal of the operations, the exchange differences accumulated in equity that relate to the given foreign entity are recognized in the income statement.
- Foreign exchange differences arising on the measurement of net investments are recognized in other comprehensive income.

The Group uses National Bank of Poland's exchange rates for currency translations.

In the case of longterm financing based on intercompany loans with indefinite repayment date and with the lack of intention of Board of repayment the Group is classifying foreign exchange differences caused by them as part of equity concerning foreign exchange differences.

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at December 31, 2016.

g) Property, plant and equipment

Property, plant and equipment owned by the Group

Property, plant and equipment is recognized in the books of account at historical cost net of accumulated depreciation and potential impairment. The initial value of the property, plant and equipment manufactured internally covers the cost of materials, direct labour, and – if material – the initial estimate of the cost of disassembly and removal of the assets and of bringing the location to the condition it had been in before the lease agreement was signed.

If the property, plant and equipment include material components with different useful lives, particular components are considered to be separate assets.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds from sale with carrying amounts and recognized in the income statement under „Gains/losses on disposal of property, plant and equipment".

Assets related to opening restaurants

Costs directly related to purchasing and manufacturing of assets („property, plant and equipment") connected with opening restaurants in given locations, including the costs of architecture design, legal assistance, wages and salaries, and benefits of employees directly involved in launching a given location are included in assets ("property, plant and equipment"). The Group includes in the value of 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. Costs directly related to purchasing and manufacturing of restaurants assets („property, plant and equipment") are depreciated over the expected useful life of the restaurant.

Those assets consider both costs incurred with use of leasehold improvements and in premises owned.

The Group does not capitalize costs of external financing, as those assets do not meet definition of qualified assets under IAS 23.

Leased assets

The Group is a Lessee of property, plant and equipment. Leases of property, plant and equipment under which virtually all the risks and benefits in respect of the ownership are attributable to the Group are recognized as finance leases. The assets leased under finance leases are recognized in assets as at the date of commencement of the lease term at the lower of their fair values and present value of the minimum lease payments. Each lease payment is divided into the amount decreasing the balance of the liability and the amount of finance costs so as to maintain a fixed interest rate in respect of the remaining portion of the liability. The respective rental obligations net of finance costs are recognized in finance lease liabilities. The interest element of finance costs is charged to costs in the income statement over the period of the lease so as to obtain a fixed periodical interest rate in respect of the remaining portion of the liability. Property, plant and equipment acquired under financial leases are depreciated over the shorter of the economic useful life of the asset and the lease period.

Costs incurred after commissioning fixed assets

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Amortization 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 and fixed assets under construction are not depreciated. The expected useful lives of assets are as follows:

- Buildings — 30 - 40 years
- Costs incurred on the development of restaurants (including leasehold improvements and costs of development of the restaurants) — 10 - 20 years*

• Plant and machinery	3 - 14 years
• Vehicles	4 - 6 years
• Other property, plant and equipment	3 - 10 years

* lease term

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

h) Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

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 the income statement in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under point (i) up to the date of change in use.

i) Franchise, licence agreements and other fees

As described in note 1a), the Group operates restaurants on the basis of franchise agreements. 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 % of sales revenues, usually 5-6%), and to allocate % 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 Pizza Hut and KFC trademark and are included in intangible assets and amortized 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 amortized as of the date of a given extension agreement coming into force.

Non-reimbursable preliminary fees are in reality fees for the right to use eg. the Pizza Hut and KFC trademark and are included in intangible assets and amortized 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 amortized as of the date of a given extension agreement coming into force.

A fixed licence fee equal to % of sales revenues is recognized in the income statement when as incurred in category continuing franchise fees.
The local marketing fee is recognized in the income statement as incurred in category direct marketing costs.

Group owns brands and is a franchisor in franchisee agreements. Following policies apply:

- Generally the franchise agreement covers a 10-year period and provides an option of extension for another 10 (for agreements signed after 2006) or 5 years (for agreements signed before 2006). Some franchise agreements were signed for the period from 9 to 20 years.
- Revenues of the Group consist of sales by Company operated restaurants and fees from franchisees and license are recognized when payment is rendered at the time of sale.

- Fees for using own brand paid by franchisees to the Group as a 6% from the sales (continued fees) are recognized as earned.

j) Intangible assets

Computer software

Acquired licenses for computer software are capitalized on the basis of costs incurred to acquire and prepare specific software for use. These costs are amortized on the basis of the expected useful lives.

Favourable lease agreements

Favourable lease agreements recognized on the acquisition of subsidiaries that provide for lease fees lower than market fees are initially recognized at fair value and then at cost net of amortization and potential impairment (note 1p) of the accounting policies).

Trademark

Trademarks acquired in mergers or acquisitions are recognized at fair value as at the date of transaction. The economic useful life is assessed individually. Trademark of La Tagliatella has indefinite economic useful life and is not subject of amortization, but of annual impairment tests. Blue Frog brand has its economic useful life and is amortized.

Relationships with Franchisees, relationships with clients (clients' database)

Relationships with Franchisees and with clients recognized at mergers and acquisitions are measured at fair value at the acquisition date. Useful life is determinated for each asset separately.

Rights to the Pizza Hut, KFC, Burger King, Starbucks trademark

See note 1i) of the accounting policies.

Other intangible assets

Other intangible assets are recognized at cost (purchase price or manufacturing cost) less accumulated amortization and potential impairment (see note 1p) of the accounting policies below). The exclusivity rights of brand operators on particular markets are presented within other intangible assets.

Amortization

Intangible assets are amortized on straight-line basis over the expected useful life of the assets if it is determined. Goodwill and other intangible assets whose expected useful lives cannot be specified are assessed annually for potential impairment (see note 1p) of the accounting policies below) and are not amortized. Other intangible assets are amortized as of the date of their availability for use.

The expected useful lives of assets are as follows:

• Computer software	3-5 years
• Favourable lease agreements	2-10 years*
• Trademarks	5-10 years
• Own trademark Blue Frog	20 years
• Rights to Pizza Hut, KFC, Burger King and Starbucks trademark	10 years
• Relations with franchisees	20-24 years**
• Clients' database	2 years
• Exclusivity rights brand operator	6-12 years***
• Other intangible assets	5-10 years

* favorable agreements are amortized over the period to the end of the agreement
**average period of franchise agreement
*** period of exclusivity agreement

k) Goodwill

Business combinations are accounted for under the acquisition method.

Goodwill on acquisition of a business entity 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 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 (refer to the point p) of accounting policy). Goodwill arising upon the acquisition of associates is recognized in the total carrying amount of the investments in associates.

Gains and losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

Expenses incurred to increase the goodwill created internally and trademarks created internally are recognized in the income statement upon being incurred.

l) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity assets, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and reviews this designation at every balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not classified in any of the other categories described below. The Group does not maintain any investments classified as available-for-sale financial assets as at the end of each of the periods covered by these consolidated financial statements.

Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is: acquired principally for the purpose of selling it in the near term; part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative unless they are designated as hedges. The Group does not maintain any investments classified as financial assets at fair value through profit or loss as at the end of each of the periods covered by these consolidated financial statements.

Financial assets held to maturity

This category included financial assets held to maturity are quoted in an active market non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold until maturity, other than:

- those that upon initial recognition are designated as at fair value through profit or loss;
- those that are designated as available for sale; and
- those that meet the definition of loans and receivables.

The carrying amount of investments are measured at amortised cost using the effective interest rate.

Group does not have any financial assets held to maturity as at the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. They are recognized at amortized cost net of impairment write-downs and recognized as current assets in the balance sheet, under “Trade and other receivables” (See note (m) of accounting policies below), if they mature within 12 months of the balance sheet date.

Regular purchase and sale transactions of financial assets are recognized as at the transaction date – the date on which the Group commits to purchase or sell a given asset. Investments are initially recognized at fair value plus transaction costs. This relates to all financial assets not measured at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognized at fair value, and the transaction costs are recognized in the income statement. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at adjusted purchase price (amortized cost using the effective interest method).

m) Trade and other receivables

Trade and other receivables include non-derivative financial assets not traded on an active market with fixed or determinable amounts to be repaid. These assets are initially recognized at fair value and then at amortized cost net of impairment (point p) of the accounting policies). An estimate for doubtful debts is made when collection of the full amount is no longer probable.

n) Inventories

Inventories include mainly materials and goods for resale. Inventories are stated at the lower of cost and net realizable value. Inventory issues are accounted for on the FIFO basis. The cost of purchase of inventories includes costs directly related to purchasing and preparing the given asset for sale.

Net realisable 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.

o) Cash and cash equivalents

Cash reported in the statement of financial position comprises cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts (overdraft facilities).

p) Impairment

The Group assesses at each reporting date whether there is any objective evidence of assets impairment. Group verifies the carrying value of inventories (See note n) of the accounting policies) and deferred income tax assets (note x) of the accounting policies), to determine whether the assets do not show signs of impairment. If there are signs of impairment, the recoverable value of the assets is determined.

Impairment write-downs of trade and other receivables are recognized when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. If there is such evidence, the impairment write-downs of the receivables are determined as the difference between the value of the assets following from the books of account as at the measurement date and the present value of the expected future cash flows discounted using the effective interest rate of the financial instrument. Impairment losses are recognized in the income statement.

An assessment is made at each reporting date to determine whether there is any indication that a non-financial asset may be impaired. If such indication exists, or in case an annual impairment testing is required, the Group makes an estimate of the recoverable amount of that asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the remaining assets is estimated at the higher of the fair value net of costs to sell and the value in use. Value in use is deemed to be the sum of discounted future cash flows which will be generated from the asset using the market discount rate before tax reflecting the time value of money and the risks characteristic for the given asset. If it is not possible to determine the future cash flows from a given asset, for the purpose of determining the value in use, a group of assets which includes the given asset, which generate specific cash flows, are taken into account (cash-generating unit).

Potential impairment of a restaurant is considered to be the fact of its incurring an operating loss during the financial year. In such an event, the discounted future economic benefits which the given facility will generate are determined. Potential impairment is determined on the basis of discounted cash flows from core activities until the date of closing the facility, in consideration of the residual value.

Moreover, upon taking a decision to close a restaurant, the value of appropriate assets is reviewed for potential impairment, and the period in use of the assets is changed. At the same time, the Group recognizes potential liabilities related to the costs of giving notice of the lease of premises in the books of account.

In case of renovation, negotiation concerning change in location or other not typical events, the Group uses specific rules dependent on situation with specific treatment of particular restaurant.

Reversal of impairment write-downs

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.

Impairment write-downs in respect of receivables recognized at amortized cost are reversed if the later increase in their recoverable value may be objectively attributed to an event which arose after the impairment was recognized.

Impairment write-downs in respect of goodwill cannot be reversed. In respect of other assets, impairment write-downs are reversible if there are premises indicating that the impairment has ceased to exist or decreased. Reversal of impairment should be made if estimates used to determine the recoverable value are changed.

Impairment write-downs are reversed only to the extent to which the carrying amount of an asset does not exceed the carrying amount it would be recognized at, net of depreciation, had the impairment not been recognized.

q) Loans and borrowings

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

If borrowings are repaid before maturity, the resulting differences between (i) the determined costs and (ii) the present costs are recognized in the income statement.

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.

r) Share capital

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

Equity attributable to shareholders of the parent inludes:

- Share capital

- Reserves
- Retained earnings
- Translation reserve

Within reserves position effect of following transactions are presented:

- Surplus over nominal value (share premium)
- Non-refundable additional contributions to capital without additional issuance of shares made by the Group's shareholders before their debut on the WSE
- Impact of put option valuation
- Effect of accounting for share based payments
- Treasury shares
- Hedges valuation
- 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.

s) 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 award 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 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 were started to be accounted in 2014 as a result of modification introduced int exisiting share based programs. Programs were modified so that it may be settled in cash instead of shares. As a result the group re-measures the liability related to cash settled transaction.

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

At the date of settlement, the Group shall remeasure 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 entirely recognised liability;
- if the settlement is in shares, the balance of the liability is transferred to equity, being consideration for the shares granted. Any equity component previously recognised shall remain within equity.

Long-term employee benefits dependent on their 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 performed by them in the current and past periods. The liability was accounted for based on the estimated future cash outflows, and as 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 the binding legal 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 part 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”.

Management incentive program for Group employees in local markets

During acquisition of the Spanish business, AmRest Group has issued management incentive program towards employees of Spanish group based on financial result for Spanish, Portugal and France markets. This plan provides minimal hurdle rate of Spanish business economic value increase, which surplus in comparison to reference value at acquisition date (April 28, 2011) in the moment of plan reconciliation, will be subject of benefit settlement. However the maximum value cannot exceed 10% of Spanish business value increase. As at the date of financial statement issuance the benefit plan pull was allocated in 33%. Management of the Group values this program according to best estimates, including forecasts Spanish business value and evaluation of plan settlement dates.

After acquisition of the Chinese business, AmRest Group has issued management incentive program towards employees of Chinese group based on financial result for Chinese market. This plan provides minimal hurdle rate of Chinese business value increase, which surplus in comparison to reference value in the moment of plan reconciliation, will be subject of benefit settlement. Management of the Group values this program according to best estimates, including forecasts Spanish business value and evaluation of plan settlement dates.

t) Provisions

Provisions are recorded in the balance sheet if the Group has a legal or constructive obligation arising from past events, and if it is probable that the discharge of this obligation will result in an outflow of economic benefits. If the effect of the time value of money is material, the amount of the provision is determined as the expected future cash flows discounted using the discount rate before tax which reflects the time value of money and the potential risks related to a given obligation.

Provisions for liabilities caused by restructuring are set up when the Group has a detailed, official restructuring plan and the restructuring has already started or information on it was published. No provisions are set up for future operating expenses.

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

If the Group is obliged to bringing the location to the condition it had been in before the lease agreement was signed, the Company’s Management Board analyzes this future costs and sets up provisions if the costs are material.

Onerous contracts

Provisions for onerous contracts are set up if the expected revenues of the Group resulting from the contracts are lower than the unavoidable costs resulting from obligations under the contracts. Unavoidable costs are lower amount from: penalty in the event of breaking the agreement and costs of contract realization.

u) Trade and other payables

These payables are initially recognized in the books of account at fair value, and subsequently at amortized cost.

v) Revenues

Restaurant sales, franchise sales and other sales constitute Goup revenues. Sales revenues comprise the fair value of the economic benefits received for the sale of goods, net of value-added tax. Sales of finished goods are recognized by the Group upon issuing them to the purchaser. Consideration for the goods is mainly in cash form.

w) Finance and operating leases

Operational leasing, rent costs

Leases whereby the major part of the risks and benefits from ownership remains with the lessor comprise operating leases. All the lease payments paid under the operating lease agreements are charged to costs on a straight-line basis over the period of the lease. The discounts received from lessors are recognized in the income statement in the same manner, as an integral part of lease fees.

Operating leases relate mainly to leases of premises where the restaurants operate. The respective costs are recognized in the income statement under “Lease costs and other operating expenses”.

Finance lease

Leasing is classified as financial leasing, when according to signed agreement in overall all potential benefits and risk from ownership are passed towards leasee.

Amount due from finance leasing are presented in receivables position finance lease receivables in net value of investment. Incomes from finance lease are allocated to appropriate periods according to stable annual rate of return from Group investment due from finance lease.

Group as a leaseholder – please refer to point 1g) of accounting policies.

x) Income tax expense

The income tax shown in the income statement comprises the current and deferred part. The current portion of the income tax includes tax calculated on the basis of the taxable income for the current period using the income tax rates which have been enacted or substantially enacted as at the balance sheet date, and adjustments of the income tax liability from prior years.

For financial reporting purposes, deferred tax is recognised, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax relating to items recognised outside profit or loss is also recognized outside profit or loss: under other comprehensive income if relates to items recognised under other comprehensive income, or under equity – if relates to items recognized in equity.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes that are levied by the same taxation authority.

y) Derivative financial instruments and hedge accounting

The Group sporadically uses derivative financial instruments to hedge against foreign exchange risk in operating and financing transactions.

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 the 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).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing quarterly basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve in other comprehensive income are shown in note 17.

Cash flow hedge

The effective part of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within ‘other financial income or costs – net’.

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within ‘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. The gain or loss relating to the ineffective portion is recognised 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.

Financial derivative included in non-financial host contract which meets criteria of embedded derivative is accounted as a separate derivative instrument and as such can be used as hedging instrument in cash flow or net investment hedge relationship.

z) Segment reporting

Business segments were set on the basis of internal managerial reports that are used by the Executive Committee while making strategic decisions. The Executive Committee (Exec) analyzes performance of the Group allocating owned resources according to given restaurants.

aa) Non-current assets held for sale

Non-current assets (or groups of assets) are classified as ‘held for sale’ and disclosed at the lower of: the carrying amount and the fair value net of the costs of preparing the asset for sale, if the carrying amount is realized mainly through the sale and not through on-going use. This requirement can be fulfilled only if the occurrence of a sale transaction is highly probable, and the item of assets is available for immediate sale in its present condition.

bb) Seasonal fluctuations in production and sales

The seasonal fluctuations in sales and inventory of the Group are not significant which is characteristic for the entire restaurant industry.

The lowest sales are recorded in the first quarter of the year, which is attributable primarily to fewer operating days in February and fewer people dining out. The next quarter in terms of sales is the second quarter, in which the restaurants achieve better results thanks to improving weather and a positive effect of the beginning of the holiday season in June. The highest sales are achieved at the end of the third and at the beginning of the fourth quarter. Very good performance in the third quarter is attributable to the increased tourist traffic. Autumn is traditionally a season when people tend to dine out more frequently, which translates into higher sales. An important time in the last three months of the year is the pre-Christmas period, when particularly high sales are reported by the restaurants situated in shopping malls.

cc) Adjustments

Comparable data were restated as a consequence of following adjustments:

Fair value of acquired net assets of S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.) was presented in annual consolidated financial statements for the year ended December 31, 2015 in value of PLN 48.240 thousands and, due to the adjustments in purchase price allocation process, was adjusted by PLN 2.287 thousand. This adjustment consisted of decreased value of current assets by PLN 1.609 thousand (RON 1.708 thousand), increased provisions by PLN 565 thousand (RON 600 thousand) and increased current liabilities by PLN 113 thousand (RON 120 thousand).

Schedules of effects of above mentioned adjustments and the reconciliations between data published for the year ended December 31, 2015 and reported in current period statements as data for the year ended December 31, 2015 are presented below.

Consolidated annual statement of financial position as at December 31, 2015

In thousands of Polish zloty	**According to the published financial statement**	Adjustment	**After adjustments**
Assets			
Property, plant and equipment	1 060 019		1 060 019
Goodwill	583 091	2 287	585 378
Other intangible assets	574 109		574 109
Investment property	22 152		22 152
Investments in associates	828		828
Other non-current assets	51 801		51 801
Deferred tax assets	33 352		33 352
Total non-current assets	**2 325 352**	**2 287**	**2 327 639**
Inventories	64 346	(796)	63 550
Trade and other receivables	92 090	(161)	91 929
Corporate income tax receivables	5 458		5 458
Other current assets	44 007	(652)	43 355
Cash and cash equivalents	317 871		317 871
Total current assets	**523 772**	**(1 609)**	**522 163**
Total assets	**2 849 124**	**678**	**2 849 802**
Equity			
Share capital	714		714
Reserves	678 306		678 306

In thousands of Polish zloty	**According to the published financial statement**	Adjustment	**After adjustments**
Retained earnings	464 456		464 456
Translation reserve	(110 447)		(110 447)
Equity attributable to shareholders of the parent	**1 033 029**	**-**	**1 033 029**
Non-controlling interests	**71 045**	**-**	**71 045**
Total equity	**1 104 074**	**-**	**1 104 074**
Liabilities			
Interest-bearing loans and borrowings	1 035 946		1 035 946
Finance lease liabilities	7 921		7 921
Employee benefit liability	26 677		26 677
Provisions	3 680	565	4 245
Deferred tax liability	90 492		90 492
Other non-current liabilities	14 901		14 901
Total non-current liabilities	**1 179 617**	**565**	**1 180 182**
Interest-bearing loans and borrowings	89 418		89 418
Finance lease liabilities	1 323		1 323
Trade and other accounts payable	461 774		461 774
Income tax liabilities	12 918	113	13 031
Total current liabilities	**565 433**	**113**	**565 546**
Total liabilities	**1 745 050**	**678**	**1 745 728**
Total equity and liabilities	**2 849 124**	**678**	**2 849 802**

dd) Changes in accounting policies

The accounting policies applied in the preparation of the attached consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2015 with the exception of the amendments presented below. These changes were applied in the attached consolidated financial statements on their effective date and had no significant impact on the disclosed financial information, did not apply to the the Group's transactions, or the Group decided not to apply a newly introduced approach or model:

- **Defined Benefit Plans: Employee Contributions - Amendments to IAS 19**

The amendment changes to IAS 19 Employee Contributions was issued in November 2013.
The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

Amendments had no significant impact on the consolidated financial statements of Group.

- **Amendments to IFRS 2010-2012**

International Accounting Standards Board has published in December 2013 "Improvements to IFRSs 2010-2012" which amend 7 standards. The amendments include changes in presentation, recognition and valuation and include terminology and editorial changes.

Amendments had no significant impact on the consolidated financial statements of Group.

- **Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41**

The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

Amendments had no impact on the consolidated financial statements of Group.

- **Amendments to IFRS 11 on the purchase of a share in a common activity**

This amendment to IFRS 11 requires the investor when he acquires a share in a common business activity which is as defined in IFRS 3 application to acquire its share of the accounting rules on businesses connections in accordance with IFRS 3 and the rules under other standards, unless they are in contrary to the guidelines contained in IFRS 11.

Amendments had no impact on the consolidated financial statements of Group.

- **Amendments to IAS 16 and IAS 38 concerning depreciation**

The amendment clarifies that the use of the depreciation method based on revenues is not appropriate because the revenues generated in the business, which uses data assets also reflect factors other than the consumption of economic benefits from the asset.

Amendments had no impact on the consolidated financial statements of Group.

- **Amendments to IFRS 2012-2014**

International Accounting Standards Board published in September 2014 “Improvements to IFRSs 2012-2014”, that change four standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are effective for annual periods beginning on or after 1 January 2016.

Amendments had no impact on the consolidated financial statements of Group.

- **Amendments to IAS 1**

In December 2014 in result of the works on so-called initiative on disclosure, the International Accounting Standards Board an amendment to IAS 1 issued. The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The revised IAS 1 explained that the items presented in the statement of financial position and statement of results and other comprehensive income may be aggregated or disaggregated according to their relevance. It also introduced additional guidance relating to the presentation of subtotals in these statements.

Amendments had no significant impact on the consolidated financial statements of Group.

- **Amendments to IAS 27 concerning the equity method in the separate financial statements**

The amendments in IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendments had no impact on the consolidated financial statements of Group.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 concerning deconsolidation of investment units**

On December 18, 2014 the IASB published the so-called amendment to a limited extent. Amendment to IFRS 10, IFRS 12 and IAS 28 'Investment Units: deconsolidation' clarifies requirements for investment entities and introduces some facilitations.
The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements.
The standard clarifies that an entity should measure at fair value through profit or loss all of its subsidiaries, which are units of investment. In addition, clarified that the exemption from preparing consolidated financial statements if the parent company prepares a higher degree of financial statements available to the public concerns made regardless of whether the subsidiaries are consolidated or at fair value through profit or loss in accordance with IFRS 10 in the report of the ultimate parent or senior management.

Amendments had no impact on the consolidated financial statements of Group.

The Group has not decided to apply earlier any Standard, Interpretation or Amendment that has been issued, but has not yet become effective in light of the EU regulations.

ee) New standards and interpretations that have been issued but have not yet become effective

The following standards and interpretations were published by the International Accounting Standards Board, but have not yet become effective:

- **IFRS 9 "Financial Instruments"**

IFRS 9 replaces IAS 39 and will be effective for annual periods beginning on or after 1 January 2018.
IFRS 9 introduces one model, according to which financial as sets are required to be classified into two measurement categories: those to be measured subsequently at fair value and those to be measured subsequently at amortised cost.
Classification on initial recognition is driven by the entity's business model for managing the financial assets and the contractual cash flows characteristics. IFRS 9 introduces a new model for the recognition of impairment loss es – the expected credit losses (ECL) model.
Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.
The Group will apply these amendments to IFRS from 1 January 2018.
The Group considers this change will not have a significant impact on the consolidated financial statements.

- **IFRS 14 "Regulatory Deferral Accounts"**

IFRS 14 is effective for annual periods beginning on or after 1 January 2016 or after that date. This standard allows individuals who produce financial statements in accordance with IFRS for the first time, to the recognition of the amounts resulting from the activities of regulated prices in accordance with the previously applied accounting principles. To improve comparability with units which already apply IFRS and do not show such amounts in accordance with the published IFRS 14, the amounts resulting from the activities of regulated

prices, should be subject to the presentation in a separate location, either in the statement of financial position as well as in the income statement and statement of other comprehensive income.
IFRS does not apply to Group.
The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

- **IFRS 15 “Revenue from Contracts with Customers”**

IFRS 15 was published by the International Accounting Standards Board on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2018 or after that date.
The principles set out in IFRS 15 will apply to all contracts resulting in revenue. The fundamental principle of the new standard is to recognize revenue at the time of the transfer of goods or services to the client, in the amount of the transaction price. Any goods or services sold in packages that can be distinguished in the package, should be recognized separately, moreover, any discounts and rebates on the transaction price should in principle be allocated to the various elements of the package. If the amount of revenue is variable, according to the new standard for the amount of variables are included in the income, if there is a high probability that in the future there will be no reversal of the recognition of income as a result of revaluation. Furthermore, in accordance with IFRS 15 costs incurred to acquire and secure a contract with the customer must be activated and deferred for a period of consumption of the benefits of this contract.
The Group will apply IFRS 15 from 1 January 2018. The Group considers this change will not have a significant impact on the consolidated financial statements.

- **Amendments to IFRS 15 Revenue from Contracts with Customers**

Amendments were issued on 12 April 2016 and are effective for annual periods beginning on or after 1 January 2018. The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

Amendments are not yet endorsed by EU at the date of approval of these financial statements. Group will apply those amendments once endorsed by EU. The Group considers thses amendments will not have a significant impact on the consolidated financial statements.

- **Amendments to IFRS 10 and IAS 28 concerning sales or transfers of assets between the investor and its associates or joint ventures**

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss, considering the interests of other investors, is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.
The amendments were published on 11 September 2014 and will be effective for annual periods beginning on or after a date to be determined by the IASB.

At the date of preparation of these consolidated financial statements, this change has not yet been approved by the European Union. Group has not yet completed its assessment of the impact of the amendments on conciliated financial statements.

- **IFRS 16 “Leases”**

IFRS 16 “Leases” was issued on January 13, 2016 and is effective for annual periods beginning on or after 1 January 2019.
The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group will apply the change accordingly to IASB resolutions.
The Group is currently assessing the impact of the amendments on its financial statements. Taking into considaration large scale and value of signed lease agreements, the Group expects a significant impact of the implementation of standard on the consolidated financial statements.
At the date of preparation of these consolidated financial statements, this standard has not yet been approved by the European Union.

- **Recognition of Deferred Tax Assets for Unrealised Losses - amendments to IAS 12**

The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.
The amendments are effective for annual periods beginning on or after 1 January 2017.
At the date of preparation of these consolidated financial statements, this change has not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. The Group considers thses amendments will not have a significant impact on the consolidated financial statements.

- **Disclosure Initiative - Amendments to IAS 7**

Amendments to IAS 7 are effective for annual periods beginning on or after 1 January 2017. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.
At the ate of preparation of these consolidated financial statements, this change has not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. The Group considers thses amendments will not have a significant impact on the consolidated financial statements.

- **Amendments to IFRS 2 Share-based Payment – classification and valuation of share based payments**

Amendments were issued on 20 June 2016 and are effective for annual periods beginning on or after 1 January 2018. The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety.

Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately.
At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. Group has not yet completed its assessment of the impact of the amendments on conciliated financial statements.

- **Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the IASB is developing for IFRS 4. The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility in insurance sector.
At the ate of preparation of these consolidated financial statements, this change has not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. The Group considers those amendments will not have a significant impact on the consolidated financial statements.

- **Annual Improvements to IFRSs 2014-2016 cycle**

Amendments were issued on 8 December 2016 and impact three standards IFRS 12, IFRS 1 and IAS 28.
The amendments include claryficationad and changes to the scope, valuation, recognition of standards and editorial improvements.
At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. Group has not yet completed its assessment of the impact of the amendments on conciliated financial statements.

- **Amendments to IAS 40 Transfers of Investment Property**

The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction. Changes are effective for annual periods beginning on or after 1 January 2018.
At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. Group has not yet completed its assessment of the impact of the amendments on conciliated financial statements.

- **IFRIC 22 - Foreign Currency Transactions and Advance Consideration**

The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Interpretation applies for annual periods beginning on or after 1 January 2018.
At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union. Group will apply those amendments once endorsed by EU. Group has not yet completed its assessment of the impact of the amendments on conciliated financial statements.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

2. Segment reporting

AmRest as a Group of dynamic developing entities running operations at many markets and various restaurant business segments is under constant analysis of the Executive Committee. This Committee is also constantly reviewing the way how business is analysed and adjust it accordingly to changing Group Structure as a consequence of strategic decisions. Operating segments are set on the basis of management reports used by the Executive Committee during making strategic decisions. The Executive Committee verifies group performance while deciding of owned resources allocations in breakdown AmRest Group for divisions.

Due to the acquisition of a company operating Starbucks coffeehouses in Germany and effect of Group management structure changes initialised on the turn of 2015 and 2016, Group has revised names and a way of reporting segment aggregation continuously based on geographical criterium. The segment “Spain” was allocated to segment “Western Europe”. “New Markets” was split into “China” and “Western Europe”.

The approach is current valid solution for strategic analysis and capital allocation decision making process by Executive Committee. As for the balance sheet date Executive Committee defines segments in presented below layout.

Segment	Description
Central and East Europe (CEE)	Poland, Czech, Hungary, Bulgaria, Croatia, Romania, Slovakia and Serbia.
Western Europe	KFC and La Tagliatella restaurant operations in Spain, France, Germany, together with suply chain and franchise activity in Spain. Starbucks activity in Germany.
China	Blue Frog and KABB restaurants in China.
Russia	KFC and Pizza Hut activity in Russia.
Unallocated	Consolidation adjsutments, asset and liability balances non-allocated to segments (covering borrowings and lease liabilities) and transactions of SCM sp. z o.o., AmRest Holdings SE and subsidiary located in the Ukraine and following companies AmRest Capital Zrt, AmRest Finance Zrt and financial costs and incomes, share profit of associates, income tax, net income from continued operation, total net income.

Below are presented data relating to operating segments for the 12 months period ended December 31, 2016 and for the comparative period ended December 31, 2015.

for the 12 months ended December 31, 2016	CEE	Western Europe	Russia	China	Unallocated	Total
Revenue from external customers	2 254 328	1 212 674	465 222	229 028	46 117	4 207 369
Inter-segment revenue	-	-	-	-	-	-
Operating profit/ (loss)	177 186	113 925	17 812	(8 547)	(32 202)	268 174
Finance income	-	-	-	-	3 326	3 326
Finance costs	-	-	-	-	(48 089)	(48 089)
Share of profit of associates	-	-	-	-	59	59
Income tax	-	-	-	-	(32 726)	(32 726)
Profit for the period	-	-	-	-	190 744	190 744
Segment assets	1 155 144	1 605 837	349 756	208 186	121 152	3 440 075
Investments in associates	-	-	-	-	888	888
Total assets	1 155 144	1 605 837	349 756	208 186	122 040	3 440 963
Goodwill	35 639	542 519	95 848	94 146	911	769 063
Deferred tax assets	32 343	6 930	-	-	10 401	49 674
Segment liabilities	326 449	243 131	33 782	39 984	1 421 007	2 064 353
Employee benefits	96 950	75 823	21 917	18 087	15 612	228 389
Depreciation (note 8)	133 572	57 175	28 256	17 935	794	237 732

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Amortization (note 10)	17 865	12 526	1 472	1 199	279	33 341
Capital investment	233 926	192 411	45 199	23 672	1 503	496 711
Impairment of fixed assets (note 8,10)	4 128	5 020	3 296	4 514	-	16 958
Impairment of trade receivables (note 3,31)	(159)	141	(205)	2	(392)	(613)
Impairment of inventories (note 3,13)	-	36	-	-	-	36
Impairment of other assets (note 3)	319	(371)	-	-	-	(52)

	CEE	**Western Europe**	**Russia**	**China**	**Unallocated**	**Total**
for the 12 months ended December 31, 2015						
Revenue from external customers	1 951 413	739 677	402 838	208 435	36 377	3 338 740
Inter-segment revenue	-	-	-	-	-	-
Operating profit/ (loss)	151 184	76 590	14 001	(12 392)	(33 640)	195 743
Finance income	-	-	-	-	9 646	9 646
Finance costs	-	-	-	-	(43 694)	(43 694)
Share of profit of associates	-	-	-	-	588	588
Income tax	-	-	-	-	(4 944)	(4 944)
Profit for the period	-	-	-	-	157 339	157 339
Segment assets	1 119 490	1 205 573	245 451	208 819	69 641	2 848 974
Investments in associates	-	-	-	-	828	828
Total assets	1 119 490	1 205 573	245 451	208 819	70 469	2 849 802
Goodwill	34 243	381 752	74 423	94 049	911	585 378
Deferred tax assets	23 521	2 100	-	-	7 731	33 352
Segment liabilities	320 941	107 696	20 109	35 050	1 261 932	1 745 728
Employee benefits (note 19)	81 306	35 917	19 052	17 218	18 905	172 398
Depreciation (note 8)	117 123	38 803	25 203	15 217	588	196 934
Amortization (note 10)	13 316	11 129	1 101	1 211	190	26 947
Capital investment (note 8,10)	228 497	71 753	38 094	2 862	390	341 596
Impairment of fixed assets (note 8,10)	1 785	8 039	153	3 272	-	13 249
Impairment of trade receivables (note 3, 31)	539	1 739	(1)	180	221	2 678
Impairment of inventories (note 3, 13)	(15)	81	-	64	-	130
Impairment of other assets (note 3)	1	507	-	285	(2)	791

Capital expenditure comprises increases and acquisition in property, plant and equipment (note 8), intangible assets (note 10), adjusted for change in investment liabilities.

The “CEE” column relates to companies located in Poland, Czech, Bulgaria, Romania, Slovakia, Serbia, Croatia and Hungary. Poland and Czech Republic as significant geographical regions have the key characteristics as disclosed below. Among the countries allocated into Western Europe segment, Spain and Germany is a significant geographical region with the key characteristics disclosed below.

		For the 12 months ended December 31, 2016	**For the 12 months ended December 31, 2015**
	Poland	1 413 526	1 331 156
Revenue from external customers	Czech Republic	487 444	415 848
	Spain	836 531	704 222
	Germany	356 998	11 857

		31.12.2016	31.12.2015
Total of non-current assets other than financial instruments, deferred tax assets (employment benefit asset and rights under insurance contracts are not recorded)	Poland	587 263	538 297
	Czech Republic	154 204	136 216
	Spain	1 112 892	1 039 513
	Germany	245 755	5 567

Value of assets and liabilities and results of given reporting segments have been established on the basis of Group accounting policies, compliant with policies applied for preparation of this financial statements.

Goodwill was allocated to given reporting segments. For goodwill testing purposes the Group complies with policy described in p).

Business combinations

Entrance into Romania restaurant market and strengthening Bulgaria presence – acquisition of Starbucks operators

DESCRIPTION OF THE ACQUISITION

On June 24, 2015 Group has acquired by AmRest sp. z o.o. from Marinopoulos Coffee SEE B.V. 100% shares in both S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.) and Marinopoulos Coffee Company Bulgaria EOOD (currently AmRest Coffee EOOD) for PLN 67.168 thousands (EUR 16.4 million). Transaction was based on agreement signed as at March 4, 2015.

AmRest Coffee S.r.l. and AmRest Coffee EOOD are the only Starbucks operators on Romania and Bulgaria territories owing at acquisition date 18 and 5 coffeeshops accordingly.

As a result of the transaction mentioned above the Group has strengthened its presence on Central European market and accelerated development of the Starbucks brand. Entrance into Romanian market, being the second in the Central Europe, with brand in which operations Group is experienced, echoes strategic directions. Expansion of existing business in Bulgaria facilitates expectations of economies of scale, improvements, offer enhancement and optimizations.

PROVISIONARY ALLOCATION OF THE ACQUISITION PRICE

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

S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.)	**Fair value**
Cash and cash equivalents	2 713
Property, plant and equipment	11 810
Other intangible assets	1 359
Other intangible assets - exclusivity right of Starbucks brand operator	49 412
Other non-current assets	1 311
Inventories	1 813
Trade and other receivables	694
Loans granted	6 054
Other current assets	1 010
Deferred tax liability	(7 768)
Provisions	(5 412)
Trade and other payables	(16 914)

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.)	**Fair value**
Tax liabilities	(112)
Net assets acquired	45 970
Amount paid in cash	67 164
Purchase price adjustment (note 15)	(9 557)
Total payment for acquisition	57 607
The fair value of net assets	45 970
Goodwill	11 637
Amount paid in cash	(67 164)
Acquired cash and cash equivalents	2 713
Cash outflows on acquisition	(64 451)

Marinopoulos Coffee Company Bulgaria EOOD (currently AmRest Cofee EOOD)	**Fair value**
Cash and cash equivalents	430
Property, plant and equipment	1 114
Other intangible assets	274
Other intangible assets - exclusivity right of Starbucks brand operator	1 260
Other non-current assets	38
Inventories	606
Trade and other receivables	372
Other current assets	1
Loans and borrowings	(6 054)
Trade and other payables	(2 810)
Net assets acquired	(4 769)
Amount paid in cash	4
Purchase price adjustment (note 15)	(4 773)
Total payment for acquisition	(4 769)
The fair value of net assets	(4 769)
Goodwill	-
Amount paid in cash	(4)
Acquired cash and cash equivalents	430
Cash flow on acquisition	426

The purchase price allocation process has been completed.

Fair value adjustment are as follows:

	Title	**Methods/key assumptions**
Other intangible assets	Identification of exclusivity right of Starbucks brand operator in Romania and Bulgaria	Independent valuation based on MEEM method (accordingly for Romania and Bulgaria: significance of exclusivity right 46.7% and 22.4%; WACC 12.4% and 8.6%)
Property plant and equipment	Impairment provision on unused	Asset count

	Title	Methods/key assumptions
	assets	
Provisions	Potential long term tax exposures from previous periods	Management estimate - based on due dilligence report
Trade and other payables	Liabilities recognition	Assessment and review of liabilities recognition
Deferred tax liability	Deferred tax on net assets fair value	16 % income tax rate

The fair value and the other adjustments presented in the table above relate mainly to:

- fair value measurement of intangible assets;
- fair value measurement of tangible assets;
- fair value measurement of provisions and trade and other payables;
- deferred tax liability.

Fair value adjustments resulted from independent appraisal prepared in order to apply acquisition method to the aforementioned transaction.

Goodwill was calculated on the basis of the fair value of acquired net assets and refers mainly to benefits from access to Romanian coffeshop market clients, experienced management team and opportunity to develop other business concepts on Romania market.

IMPORTANT TERMS OF ACQUISITION AGREEMENT

All purchase price adjustments result from specific arrangements with the seller according to the Agreement. Agreement on 100% share acquisition in S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.) and Marinopoulos Coffee Company Bulgaria EOOD (currently AmRest Coffee EOOD) required opening of escrow account for 18 months after transaction execution date. The escrow account covered part of the acquisition price in value of PLN 13.642 thousands (EUR 3.3 million) and was provided for settling of potential adjustments resulting from certain events after acquisition but caused before that.

In result of exercise the terms of acquisition agreement, on 26 February 2016 the Group received total amount from the escrow account, which confirms relevance of including asset from price adjustment in the settlement. Therefore the Group adjusted acquisition price in the consolidated financial statements for the year ended 31 Decemeber 2015.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT

As the acquisition of Marinopoulos Coffee Company Bulgaria EOOD (presently AmRest Coffee EOOD) and S.C. Marinopoulos Coffee Company III S.r.l. (presently AmRest Coffee S.r.l.) occurred in last days of June 2015, the results of acquired assets for the first six months of 2015 have not been reported in the financial statements. If described above acquisition would have happened as at January 1, 2015 estimated consolidated revenues for the 12 months ended December 31, 2015 would grew by PLN 25.726 thousand and net profit would grew by PLN 1.759 thousand. In 2015 the cost of PLN 720 thousand related to the transaction has been recognized as general and administrative expense.

Entrance into German restaurant market – acquisition of Starbucks operators

DESCRIPTION OF THE ACQUISITION

As at April 19, 2016 Group has acquired 100% shares in StarbucksCoffee Deutschland Ltd & Co. KG from companies of Starbucks Corporation Group. The take-over of control, based on agreement, began from May 23, 2016. The purchase price amounted to EUR 40 million (PLN 177.454 thousands) and was increased by EUR 1.5 million (PLN 6 997 thousands).

As part of this transaction Area Development and Operation Agreement and Supply Agreement were signed regarding the rights and license to develop, own and operate Starbucks stores in Germany for the period of 15 years that can be extended for 5 years.

As a result of the transaction mentioned above the Group has strengthened its presence on the market and accelerated development of the Starbucks brand.

PRELIMINARY ALLOCATION OF THE ACQUISITION PRICE

Details of the temporary fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below (PLN thousands):

StarbucksCoffee Deutschland Ltd.& Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG)	**Fair value**
Cash and cash equivalents	29 304
Property, plant and equipment	74 022
Other intangible assets	4 154
Other intangible assets – exclusivity right	11 073
Inventories	6 029
Trade and other receivables	3 424
Other current assets	9 961
Asset related to right to compensation resulting from the acquisition agreement	50 221
Deferred tax assets	4 844
Provisions	(9 794)
Pre-acquisition tax settlements liability	(50 221)
Trade and other payables	(94 926)
Net assets acquired	38 091
Amount paid in cash	177 454
Purchase price adjustment	6 997
Total payment for acquisition	184 451
The fair value of net assets	38 091
Goodwill	146 360
Amount paid in cash	184 451
Acquired cash and cash equivalents	29 304
Cash outflows on acquisition	155 147

The fair value of net asset presented in consolidated condensed interim financial statement at the end of 30 June 2016 was adjusted by PLN 829 thousand (EUR 187 thousand), in connection with the revaluation of provisions for receivables.

The fair value of asset and liabilities differ from the amount reported in consolidated condensed interim financial statement at the end of 30 June 2016 due to the identification of significant tax liability relating to the period before the acquisition. The adjustment influences on increase in liabilities by PLN 50.221 thousand (EUR 11.338 thousand). The acquisition agreement includes compensation clause, under which the Group may request from seller to cover expenses related to tax liability from the pre-acquisition period (but revealed after the acquisition). In result, the Group recognized additional asset amounting to PLN 50.221 thousand, that reflects estimated tax liability. In Management Board’s opinion the recoverability of the asset, is highly probable.

All purchase price and the fair value of net assets adjustments are the result of specific arrangements with the seller in the above mentioned agreement.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

The process of allocating the acquisition price to the purchased assets and acquired liabilities has not been completed due to the ongoing process of integration and verification of certain risks, especially tax settlements and owned business assets portfolio. Due to this fact fair values of assets and liabilities, purchase price and goodwill was presented provisionary.

Fair value adjustment characteristics are following:

	Title	Methods/key assumptions
Other intangible assets	Valuation of customer base from loyalty program	Independent DCF valuation
Exclusivity right of Starbucks brand operator	Identification of exclusivity right of Starbucks brand operator in Germany.	Independent DCF valuation with income approach (WACC 12.0%)
Property plant and equipment	Valaution of property, plant and equipment together with impairment provision	Independent valuation on depreciated replacement / reproduction cost with DCF based impairment tests
Other non-current assets, Trade and other receivables, Other current assets, Trade and other payables	Other adjsutments related to book values adjustment to accounting policies of the Group and IFRS	Independent valuation and review of underlying book values
Deferred tax asset and liability	Deferred tax on net assets fair value	30% income tax rate

The fair value and the other adjustments presented in the table above relate mainly to:

- fair value measurement of intangible assets;
- fair value measurement of tangible assets;
- fair value measurement of other non-current assets, trade and other receivables, other current assets, trade and other payables
- deferred tax asset and liability.

Fair value adjustments resulted from independent appraisal prepared in order to apply acquisition method to the aforementioned transaction.

Goodwill was recognized on the settlement of the acquisition consists largely of unidentified separately synergies untapped market potential and opportunities offered by the economies of scale expected by combining the current activities of the Group Amrest and acquired business.

<u>INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT</u>

As the acquisition of StarbucksCoffee Deutschland Ltd.& Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG) occurred in last days of May 2016, the results of acquired assets for the first five months of 2016 have not been reported in the financial statements. If described above acquisition would have happened as at January 1, 2016 estimated consolidated revenues for the 12 months ended December 31, 2016 would grew by PLN 216.215 thousand and net profit would be decreased by PLN 33.706 thousand. Non-audited internal reporting packages prepared according to US GAAP constituted the source of data. In the period for the 12 months ended December 31, 2016 the cost of PLN 2.168 thousand related to the transaction has been recognized as general and administrative expense.

3. Operating expenses

Operating expenses are as follows:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Depreciation (note 2, 8)	237 732	196 934
Amortization (note 2,10)	33 341	26 947
Food and materials	1 366 432	1 118 475
Utilities	157 873	126 063
External services, including marketing	340 093	265 180
Payroll	902 446	715 156
Social security and employee benefits	230 017	172 398
Operating leases (occupancy cost) (note 24)	413 092	315 097
Continuing franchise fees	197 991	153 366
Insurance	3 300	3 042
Business travel	23 469	16 855
Other	37 784	43 142
	3 943 570	**3 152 655**
The costs of food	1 180 839	972 180
Payroll and employee benefits	908 674	686 198
Cost of license fees (franchise)	197 991	153 366
Occupancy and other operating expenses (without result from fixed asset disposal)	1 192 622	947 981
Total restaurant expenses	**3 480 126**	**2 759 725**
Depreciation and amortization expenses (franchise and other expenses)	12 078	11 173
Total franchise and other expenses - other	156 570	130 157
Depreciation and amortization expenses (G&A)	20 899	14 520
Other general and administrative expenses - other	273 897	237 080
	3 943 570	**3 152 655**
Gain/loss from fixed assets disposal (note 8)	1 642	(320)
Total impairment of assets	16 329	16 848
Total operating costs and losses	**3 961 541**	**3 169 183**

In current and previous period impairment costs (income) were as follows:	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Impairment on trade receivables (note 31)	(613)	2 678
Impairment on inventory (note 13)	36	130
Impairment on other assets	(52)	791
Total impairment of non-current assets	**(629)**	**3 599**
Impairment of property, plant and equipment (note 8)	16 249	13 081
Impairment of intangible asset (note 10)	709	168
Total impairment of non-current assets	**16 958**	**13 249**
Total impairment of assets	**16 329**	**16 848**

In 2016 marketing costs were incurred of the value of PLN 155.515 thousand, in 2015 they amounted to PLN 129.667 thousand.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

4. Other operating income

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Sublease income (note 24)	1 675	1 302
Marketing income	8 823	6 147
Sales of logistics services	-	427
Reversal of cost accruals	670	958
Income from recycling	2 184	1 535
Income from direct taxes correction	5 305	12 048
Other operating income	3 689	3 769
	22 346	**26 186**

5. Finance income

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Income from bank interest	3 084	3 223
Net income from foregin exchange differences	-	5 204
Other	242	1 219
	3 326	**9 646**

6. Finance costs

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Interest expense	(36 947)	(36 508)
Cost from arrangement fee	(3 758)	(3 555)
Net cost from foregin exchange differences	(2 903)	-
Other	(4 481)	(3 631)
	(48 089)	**(43 694)**

7. Income tax expense

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Current tax	(9 957)	(26 922)
Deferred income tax recognized in income statement	(22 769)	21 978
Income tax recognized in the income statement	**(32 726)**	**(4 944)**

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
Deferred tax asset		
Opening balance	33 352	28 434
Closing balance	49 674	33 352

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Deferred tax liability		
Opening balance	90 492	103 591
Closing balance	117 818	90 492
Change in deferred tax assets/liabilities	**(11 004)**	**18 017**
of which		
Deferred income tax recognized in income statement	(22 769)	21 978
Deferred income tax regarding titles directly reported in goodwill (note 2)	4 844	(7 768)
Deferred tax assets/liabilities directly reported in equity – hedge instruments valuation	4 253	91
Deferred tax assets/liabilities directly reported in equity – liability valuation of employee options	2 668	3 716

	The income tax rates in force in the Group are as follows:		**Deferred income tax assets and liabilities for were calculated using the following rates:**	
	2016	**2015**	**2016**	**2015**
Poland	19.00%	19.00%	19.00%	19.00%
Czech	19.00%	19.00%	19.00%	19.00%
Hungary	10.00%	10.00%	10.00%	10.00%
Ukraine	18.00%	18.00%	18.00%	18.00%
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	37.44%	37.44%	37.44%	37.44%
Spain	25.00%	25.00%	25.00%	25.00%
Germany	15.00%	15.00%	29.83%	29.83%
France	33.33%	33.33%	33.33%	33.33%
Croatia	20.00%	20.00%	20.00%	20.00%
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%
Slovakia	22.00%	-	22.00%	-

Basic income tax rate in Germany is 15%. Additional trade tax of 14.83% is in force.

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:

	For the 12 months ended December 31, 2016	**For the 12 months ended December 31, 2015**
Profit before tax	223 470	162 283
Income tax calculated according to domestic tax rates applicable to income in particular countries	39 498	26 611
Effect of permanent non tax deductible differences	(1 711)	(12 948)
Utilization of tax losses not recognized in the prior periods	(1 889)	(14 161)
Tax loss for the current period for which no deferred tax asset was recognized	253	1 428
Effect of the remaining differences	(3 425)	4 014
Corporate income tax in the income statement	**32 726**	**4 944**

The applicable weighted average tax rate amounted to 17.70% (for the period ended December 31, 2015: 16.40%).

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

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 recognized assets and deferred tax assets to be reasonable. The following amounts are disclosed in the consolidated financial statements:

	31.12.2016	31.12.2015
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	12 946	5 315
Deferred tax asset to be recovered within 12 months	36 728	28 037
	49 674	**33 352**
Deferred tax liability:		
Deferred tax liability to be used after more than 12 months	94 596	73 619
Deferred tax liability to be used within 12 months	23 222	16 873
	117 818	**90 492**

Temporary differences before the offset accounted for in the calculation of deferred tax relate to the following items:

	Asset		Liability	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Property, plant and equipment and intangible assets	27 590	18 253	128 251	114 270
Receivables	528	2 515	931	238
Provisions, liability and impairments	28 016	19 516	4 202	-
Tax losses carried forward	12 002	10 966	2 527	2 013
Other differences	25 891	9 906	26 260	1 774
	94 027	**61 156**	**162 171**	**118 295**

Temporary differences after the offset are as follows:

	Asset		Liability	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
Property, plant and equipment and intangible assets	12 863	3 999	113 524	100 018
Receivables	(403)	(238)	-	(2 515)
Provisions, liability and impairments	19 651	18 498	(4 163)	(1 018)
Tax losses carried forward	8 141	4 110	(1 334)	(4 843)
Other differences	9 422	6 983	9 791	(1 150)
	49 674	**33 352**	**117 818**	**90 492**

As at December 31, 2016 and December 31, 2015, tax loss carry forwards are as follows:

	31.12.2016	**31.12.2015**
Poland	59 954	35 287
Hungary	26 117	24 881
France	36 955	31 806
Germany	71 040	61 379
Croatia	2 464	2 348
Ukraine	-	518
China	4 715	7 751
Bulgaria	8 140	13 382
Serbia	1 053	1 848
Russia	30 187	23 440
	240 625	202 640

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Year of expiry of tax loss carryforwards	Value of tax losses	Tax losses in respect of which deferred tax assets were recognized	Tax losses in respect of which no deferred tax assets were recognized
2017	12 349	2 250	10 099
2018	17 043	12 143	4 900
2019	10 530	10 166	364
2020	15 090	14 794	296
2021	16 598	14 794	1 804
2024	30 188	2 799	27 389
No time limit	138 827	7 697	131 130
	240 625	64 643	175 982

As at December 31, 2016 the Group recognized a deferred tax asset from tax losses in the amount PLN 8.141 thousand. The reason for not recognizing the remaining portion of the deferred tax asset was, among other things, the inability to utilize the losses or no activity of some companies.

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

On July 28, 2016 a fiscal control began on VAT returns for 2014 in AmRest Sp. z o.o. On February 2, 2017 the company has received the tax protocol and on February 16, 2017 the Company has raised the qualifications. On February 28, 2017 Director of Lower Silesia Tax Office in Wroclaw initiated tax proceedings against the Company.

On May 24, 2016 the fiscal control began on VAT returns for March 2016 in AmRest Sp. z o.o. As at date of preparation the financial statements the control has not been finished.

On November 3, 2016 the fiscal control began on VAT returns for August and September 2016 in AmRest Sp. z o.o. As at date of preparation the financial statements the control has not been finished.

On September 15, 2016 the fiscal control began on VAT returns for the period January to September 2013 in AmRest Sp. z o.o. As at date of preparation the financial statements the control has not been finished.

On September 28, 2016 the fiscal control began on VAT returns for 2012 in AmRest Sp. z o.o. As at date of preparation the financial statements the control has not been finished.

In September 2016 AmRest Coffee Deutschland Sp. z o.o. & Co. KG has identified the products that were sold with an incorrect VAT rate. This fact was presented to the tax officer who was responsible for the control of periods prior the acquisition the business by AmRest. The company undertook to correct the VAT calculation for not lapsed periods and then prepare corrective VAT returns. Currently the company expects for confirmation of proposed approach to possible tax returns from the German tax office. The maximum liability of this adjustments the company estimates to EUR 11 338 thousand.

In Management Board’s opinion there is no risk of occurrence of any additional tax obligations.

8. Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2016 and 2015:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

2016	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at 01.01.2016	20 074	1 255 836	670 006	6 129	119 945	57 068	**2 129 058**
Acquisition	-	48 928	14 323	-	10 554	217	**74 022**
Additions	-	-	-	2 515	-	406 986	**409 501**
Transfers	-	195 651	127 548	-	48 857	(372 056)	**-**
Disposals	-	(17 343)	(26 477)	(555)	(9 796)	(3 245)	**(57 416)**
Foreign exchange differences	2 986	57 269	30 313	7	5 091	6 742	**102 408**
As at 31.12.2016	23 060	1 540 341	815 713	8 096	174 651	95 712	**2 657 573**
Accumulated depreciation							
As at 01.01.2016	-	525 176	351 889	2 302	56 469	-	**935 836**
Additions	-	122 949	85 767	1 480	27 536	-	**237 732**
Disposals	-	(9 010)	(16 549)	(327)	(9 046)	-	**(34 932)**
Foreign exchange differences	-	20 661	14 219	2	2 095	-	**36 977**
As at 31.12.2016	-	659 776	435 326	3 457	77 054	-	**1 175 613**
Impairment write-downs							
As at 01.01.2016	-	95 021	29 417	-	3 533	5 232	**133 203**
Additions	-	12 972	2 599	-	601	77	**16 249**
Disposals	-	(6 545)	(8 150)	-	(330)	(1 762)	**(16 787)**
Foreign exchange differences	-	3 720	1 190	-	152	495	**5 557**
As at 31.12.2016	-	105 168	25 056	-	3 956	4 042	**138 222**
Net book value As at 01.01.2016	**20 074**	**635 639**	**288 700**	**3 827**	**59 943**	**51 836**	**1 060 019**
Net book value As at 31.12.2016	**23 060**	**775 397**	**355 331**	**4 639**	**93 641**	**91 670**	**1 343 738**

2015	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at 01.01.2015	21 414	1 123 225	606 464	3 939	97 869	68 514	**1 921 425**
Acquisition	-	5 859	2 626	-	4 439	-	**12 924**
Additions	-	75 825	48 697	2 872	15 806	112 871	**256 071**
Transfers	-	77 418	36 217	-	9 565	(123 200)	**-**
Disposals	-	(20 576)	(20 555)	(691)	(7 352)	-	**(49 174)**
Foreign exchange differences	(1 340)	(5 915)	(3 443)	9	(382)	(1 117)	**(12 188)**
As at 31.12.2015	20 074	1 255 836	670 006	6 129	119 945	57 068	**2 129 058**
Accumulated depreciation							
As at 01.01.2015	-	441 710	299 403	1 621	43 114	-	**785 848**
Additions	-	100 621	75 288	1 204	19 821	-	**196 934**
Disposals	-	(15 419)	(19 414)	(480)	(6 040)	-	**(41 353)**
Foreign exchange differences	-	(1 736)	(3 388)	(43)	(426)	-	**(5 593)**
As at 31.12.2015	-	525 176	351 889	2 302	56 469	-	**935 836**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

2015	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Impairment write-downs							
As at 01.01.2015	-	86 538	26 961	-	2 226	3 523	**119 248**
Additions	-	7 616	1 990	-	1 254	2 221	**13 081**
Disposals	-	(1 055)	(605)	-	-	(912)	**(2 572)**
Foreign exchange differences	-	1 922	1 071	-	53	400	**3 446**
As at 31.12.2015	-	95 021	29 417	-	3 533	5 232	**133 203**
Net book value As at 01.01.2015	**21 414**	**594 977**	**280 100**	**2 318**	**52 529**	**64 991**	**1 016 329**
Net book value As at 31.12.2015	**20 074**	**635 639**	**288 700**	**3 827**	**59 943**	**51 836**	**1 060 019**

The property, plant and equipment listed below cover assets in finance lease, where the Group is the lessee:

	Land	Buildings	Machinery & equipment	Vehicles	Other tangible assets	**Total**
As at 31.12.2016						
Gross value	972	8 074	-	4 660	-	13 706
Accumulated depreciation	-	(2 288)	-	(1 939)	-	(4 227)
Impairment	-	(424)	-	-	-	(424)
Net value	972	5 362	-	2 721	-	9 055
As at 31.12.2015						
Gross value	935	7 777	36	3 223	-	11 971
Accumulated depreciation	-	(2 163)	(36)	(938)	-	(3 137)
Impairment	-	(756)	-	-	-	(756)
Net value	935	4 858	-	2 285	-	8 078

The table below presents the calculation of the loss on sale of property, plant and equipment and intangible assets in the period of 12 months ended December 31, 2016 and 2015:

	For the 12 months ended December 31, 2016	**For the 12 months ended December 31, 2015**
Proceeds from the sale of property, plant and equipment and intangible assets	4 192	5 599
Net cost of property, plant and equipment and intangible assets sold	(4 186)	(3 283)
Loss on sale of non-financial non-current assets and non-current assets held for sale	**6**	**2 316**
Net cost of property, plant and equipment and intangible assets disposal	(1 648)	(1 996)
Loss on disposal and sales of non-financial non-current assets and non-current assets held for sale	**(1 642)**	**320**

The depreciation was charged to the costs of restaurant operations – PLN 228.061 thousand (prior period: PLN 188.575 thousand), franchise expenses and other – PLN 4.223 thousand (prior period: PLN 3.629 thousand) and general expenses PLN 5.448 thousand (prior period: PLN 4.730 thousand).

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

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.

The recoverable amount of the cash generating unit was determined based on value in use calculation using the discount rate for each individual country.

	The pre-tax discount rate	Budgets average EBITDA margin	Expected long-term growth rate used to calculate the planned future results	The pre-tax discount rate	Budgets average EBITDA margin	Expected long-term growth rate used to calculate the planned future results
		Year 2016			Year 2015	
Poland	10.64%	Determined individually for each individual restaurant		10.17%	Determined individually for each individual restaurant	
Czech	7.89%			7.95%		
Hungary	11.18%			11.61%		
Russia	21.02%			22.59%		
Serbia	16.35%			14.76%		
Bulgary	9.48%			10.16%		
USA	10.58%			10.28%		
Spain	10.47%			11.13%		
Germany	7.42%			7.83%		
France	9.36%			9.49%		
Croatia	12.17%			13.28%		
China	11.12%			11.40%		
Romania	11.54%			11.86%		

9. Investment property

The table below presents changes in the value of investment property in 2016 and 2015:

	31.12.2016	31.12.2015
Gross value		
At the beginning of the period	22 152	22 152
Increases	-	-
At the end of the period	22 152	22 152
Impairment write-downs		
At the beginning of the period	-	-
At the end of the period	-	-
Net value at the beginning of the period	**22 152**	**22 152**
Net value at the end of the period	**22 152**	**22 152**

The valuation of fair value performed with discounted cash flows method did not differ materially to the balance sheet amount. In Management Board's opinion there have not occured any indicators for update of valuation in 2016.

Results connected with investment properties are presented below:

	For the 12 months ended December 31, 2016	**For the 12 months ended December 31, 2015**
Sublease income	1 865	2 297
Investment property costs	(947)	(1 007)
Operating profit	**918**	**1 290**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

10. Other intangible assets

The table below presents changes in the value of intangible assets in 2016 and 2015:

2016	Proprietary brands	Favourable leases and licence agree-ments	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks, La Tagliatella trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 01.01.2016	299 697	6 257	73 271	154 947	183 244	**717 416**
Acquisition	-	-	-	15 227	-	**15 227**
Increases	-	-	22 574	7 110	-	**29 684**
Decreases	-	-	(655)	(133)	-	**(788)**
Foreign exchange differences	10 974	(1 200)	3 542	4 870	6 988	**25 174**
As at 31.12.2016	310 671	5 057	98 732	182 021	190 232	**786 713**
Accumulated amortization						
As at 01.01.2016	3 711	5 261	35 592	60 260	35 632	**140 456**
Increases	1 120	-	8 883	15 529	7 809	**33 341**
Decreases	-	-	(555)	(39)	-	**(594)**
Foreign exchange differences	(252)	(204)	1 169	3 358	1 477	**5 548**
As at 31.12.2016	4 579	5 057	45 089	79 108	44 918	**178 751**
Impairment write-downs						
As at 01.01.2016	101	-	1 532	1 218	-	**2 851**
Increases	-	-	691	18	-	**709**
Decreases	-	-	(56)	(1)	-	**(57)**
Foreign exchange differences	-	-	13	307	-	**320**
As at 31.12.2016	101	-	2 180	1 542	-	**3 823**
Net value as at 01.01.2016	**295 885**	**996**	**36 147**	**93 469**	**147 612**	**574 109**
Net value as at 31.12.2016	**305 991**	**-**	**51 463**	**101 371**	**145 314**	**604 139**

2015	Proprietary brands	Favourable leases and licence agreements	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks, La Tagliatella trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 01.01.2015	298 441	6 260	64 926	95 754	183 278	**648 659**
Acquisitions	-	-	1 627	50 678	-	**52 305**

Increases	-	-	7 687	12 609	-	**20 296**
Decreases	-	-	(299)	(4 910)	-	**(5 209)**
Foreign exchange differences	1 256	(3)	(670)	816	(34)	**1 365**
As at 31.12.2015	299 697	6 257	73 271	154 947	183 244	**717 416**
Accumulated amortization						
As at 01.01.2015	2 253	4 193	31 158	49 183	28 000	**114 787**
Increases	1 326	1 053	5 254	11 819	7 495	**26 947**
Decreases	-	-	(838)	(866)	-	**(1 704)**
Foreign exchange differences	132	15	18	124	137	**426**
As at 31.12.2015	3 711	5 261	35 592	60 260	35 632	**140 456**
Impairment write-downs						
As at 01.01.2015	101	-	1 414	4 287	-	**5 802**
Increases	-	-	112	56	-	**168**
Decreases	-	-	-	(3 480)	-	**(3 480)**
Foreign exchange differences	-	-	6	355	-	**361**
As at 31.12.2015	101	-	1 532	1 218	-	**2 851**
Net value as at 01.01.2015	**296 087**	**2 067**	**32 354**	**42 284**	**155 278**	**528 070**
Net value as at 31.12.2015	**295 885**	**996**	**36 147**	**93 469**	**147 612**	**574 109**

Other intangible assets cover mainly computer software and exclusivity rights.
Own brands value (La Tagliatella) with indefinite useful life as at December 31, 2016 was equal PLN 287.560 thousand and as at December 31, 2015 PLN 277.050 thousand.
The amortization was charged to the costs of restaurant operations – PLN 10.036 thousand (prior period: 9.613 PLN thousand), franchise expenses and other – PLN 7.854 thousand (prior period: PLN 7.544 thousand) and administrative expenses - PLN 15.451 thousand (prior period: PLN 9.790 thousand).

Impairment testing of own brands

As at December 31, 2016, the Group conducted own brand value (La Tagliatella) impairment tests with respect to the acquisitions of businesses in Spain. The tests have shown no need to create an impairment.

The cash generating units is activity connected with La Tagliatella brand. The recoverable amount of the cash generating unit was determined based on value in use calculation using the discount rate in Spain.

The recoverable value of the cash generating units is based on calculations of their value in use. The calculation uses expected future cash flows assessed on the basis of historical results and expectations as to the development of the market in the future included in the business plan.

Expected cash flows for identified cash generating units were prepared on the basis of assumptions made derived from historical experience adjusted for realized plans and undertaken actions together with adjustment for valid liabilities and assessments of changes in client behaviors.

Impairment testing was realized taking into consideration following assumptions:

	2016	2015
Discount rate before tax	10.47%	11.13%
Budgeted average EBITDA margin	19.34%	19.34%
Expected mid-term growth rate used for the calculation of planned future results	19.73%	19.73%
Residual growth rate	2.00%	2.00%

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

If discount rates are presented at December 31, 2016 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

If Ebitda in period of 12 months ended December 31, 2016 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment provision.

11. Goodwill

The table below presents changes in the value of goodwill:

	31.12.2016	31.12.2015 after adjustments
Gross value		
At the beginning of the period	586 753	579 769
Acquisition (note 2)	146 360	11 637
Foreign exchange differences	37 519	(4 653)
At the end of the period	770 632	586 753
Impairment write-downs		
At the beginning of the period	1 375	1 447
Foreign exchange differences	194	(72)
At the end of the period	1 569	1 375
Net book value as at the beginning of the period	**585 378**	**578 322**
Net book value as at the end of the period after adjustment	**769 063**	**585 378**

Acquisitions in previous years

Below table presents changes of goodwill in division of particular acquisitions as at December 31, 2016 and December 31, 2015.

	Acquisition date	**As at 01.01.2016**	Acquisition	Foreign exchange differences	**As at 31.12.2016**
miklik's food s.r.o.	May 2005	5 650	-	215	5 865
AmRest Kft (previously: Kentucky System Kft)	June 2006	16 868	-	773	17 641
OOO AmRest (previously: OOO Pizza Nord)	July 2007	58 120	-	16 732	74 852
9 restaurants RostiksKFC	April 2008	14 436	-	4 156	18 592
5 restaurants RostiksKFC	June 2008	1 867	-	537	2 404
SCM Sp.z o.o.	October 2008	911	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	381 751	-	14 557	396 308
Blue Horizon Hospitality PTE Ltd.	December 2012	94 049	-	97	94 146
AmRest Coffee S.R.L.	June 2015	11 726	-	408	12 134
AmRest Coffee Deutschland Sp. z o.o. &Co. KG	May 2016	-	146 360	(150)	146 210
		585 378	**146 360**	**37 325**	**769 063**

	Acquisition date	**As at 01.01.2015**	Acquisition	Foreign exchange differences	**As at 31.12.2015 after adjustments**
miklik's food s.r.o.	May 2005	5 506	-	144	5 650
AmRest Kft (previously: Kentucky System Kft)	June 2006	16 790	-	78	16 868
OOO AmRest (previously: OOO Pizza Nord)	July 2007	66 204	-	(8 084)	58 120
9 restaurants RostiksKFC	April 2008	16 514	-	(2 078)	14 436
5 restaurants RostiksKFC	June 2008	2 136	-	(269)	1 867
SCM Sp.z o.o.	October 2008	911	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	381 823	-	(72)	381 751

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Blue Horizon Hospitality PTE Ltd.	December 2012	88 438	-	5 611	94 049
AmRest Coffee S.R.L.	June 2015	-	11 637	89	11 726
		578 322	**11 637**	**(4 581)**	**585 378**

Impairment testing

As at December 31, 2016, the Group conducted goodwill impairment tests with respect to the acquisitions of businesses in Hungary, Russia, Spain, Romania, China and Germany, where goodwill is significant. The tests have shown no need to create an additional impairment.

The recoverable value of the cash generating units is based on calculations of their fair value. The calculation includes expected future cash flows assessed on the basis of historical results and expectations as to the development of the market in the future included in the business plan.

Values of particular generating cash units are a combination of data described in this note together with information from note 2.

Expected cash flows for identified cash generating units were prepared on the basis of assumptions made derived from historical experience adjusted for realized plans and undertaken actions together with adjustment for valid liabilities and assessments of changes in consumer behaviors.

Impairment testing was realized taking into consideration following assumptions:

	Hungary	Russia	Spain	China	Romania	Germany
			Year 2016			
Discount rate before tax	10.06%	16.82%	7.86%	8.34%	9.69%	5.08%
Budgeted average EBITDA margin	17.77%	12.74%	19.34%	11.69%	26.56%	9.57%
Expected mid-term growth rate used for the calculation of planned future results	16.52%	17.41%	19.73%	17.70%	16.08%	26.81%
Residual growth rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
			Year 2015			
Discount rate before tax	10.45%	18.07%	8.02%	8.55%	9.97%	-
Budgeted average EBITDA margin	15.46%	12.75%	19.34%	9.03%	26.62%	-
Expected mid-term growth rate used for the calculation of planned future results	16.77%	18.72%	19.73%	26.34%	14.75%	-
Residual growth rate	2.00%	2.00%	2.00%	2.00%	2.00%	-

Expected future cash flows are analyzed in the perspective of the period settled in the lease agreement concerned tested cash generating units. The length of the period (usually 10 years) results mainly from the long-term nature of the franchise agreements and the long-term nature of investments in the restaurant business. Budgeted EBITDA margin is calculated based on actual forecasts and financial performance expectations regarding given cash generating unit and takes into account all applicable factors influencing this ratio.

If discount rates in period of 12 months ended December 31, 2016 were bigger by 3 percentage points, it would not result in recognition of additional impairment provision, except for Germany. In the case if discount rates increased by 3 percentage points, the possible impairment provision would amount to PLN 63 milion. Management believes this scenario is remote, because the current analysis is based on using the most current strategic plans of effectiveness improvement and development plans for the German market. Development plans involve costs of both new openings and capital expenditures. Group analysis shows that the limitation of these plans provides additional factors keeping up defending against adverse market conditions underlying the calculation of the discount factor. The assumed economies of scales, benefits from integration and purchase process optimization have been included in the model with significant prudency, which, in Management Board's opinion, may provide additional arguments of risk mitigation in relation to impairment of goodwill, particularly when the effort would be focused on those areas more than on development operation.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

If EBITDA for the period of 12 months ended December 31, 2016 were bigger/smaller by 3 percentage points, it would not result in recognition of additional impairment.

12. Other non-current assets

As at December 31, 2016 and December 31, 2015, the balances of other non-current assets were as follows:

	31.12.2016	31.12.2015
Prepaid rental fees	1 035	2 412
Deposits in respect of rentals	55 974	43 467
Other	5 494	5 922
	62 503	**51 801**

13. Inventories

As at December 31, 2016 and December 31, 2015, inventories cover mainly food and packaging used in the restaurants and additionally finished goods and work in progress prepared by central kitchen for the sale of La Tagliatella restaurants purposes.
Due to the nature of its business and the applicable standards of the Group treats the whole inventory as materials.
Inventories are presented in net value including write-downs.

Value of impairment provisions for inventory as at December 31, 2016 and December 31, 2015 is presented in table below:

	31.12.2016	31.12.2015
Value for the beginning of the period	257	278
Provision created (note 2, 8)	36	130
Provisions used	(247)	(151)
Value for the end of the period	**46**	**257**

14. Trade and other receivables

	31.12.2016	31.12.2015 after adjustments
Trade receivables from non-related entities	56 822	44 858
Trade receivables from related entities (note 29)	13	7
Other tax receivables	31 872	40 659
Deposits due above 3 months	-	9 214
Other	19 890	7 731
Write-downs of receivables (note 2, 31)	(9 213)	(10 540)
	99 384	**91 929**

15. Other current assets

	31.12.2016	31.12.2015 after adjustments

	31.12.2016	**31.12.2015 after adjustments**
Prepaid costs in respect of deliveries of utilities	1 804	238
Prepaid lease costs	19 126	9 698
Prepaid property insurance	2 160	1 105
Prepaid professional services cost	975	552
Prepaid marketing costs	419	336
Prepaid tax costs	3 345	497
Assets related to purchase price adjustment (note 2)	-	13 642
Assets related to a right to compensation resulting from the acquisition agreement (note 2)	50 161	-
Other	25 346	17 537
Write-downs of other current assets	(438)	(250)
	102 898	**43 355**

Other current assets are presented in net value taking into consideration impairment provisions.

16. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2016 and December 31, 2015 are presented in the table below:

	31.12.2016	**31.12.2015**
Cash at bank	245 608	293 553
Cash in hand	46 033	24 318
	291 641	**317 871**

Reconciliation of working capital changes as at December 31, 2016 and December 31, 2015 is presented in the table below:

2016	Change in receivables	Change in inventories	Change in other assets	Change in payables and other liabilities	Change in other provisions and employee benefits
The balance sheet change	(7 455)	(18 536)	(70 245)	146 683	19 472
Increase resulted from the acquisition (note 2)	3 424	6 029	60 182	(145 147)	(9 794)
Change of stock option plan liability	-	-	-	-	10 374
Elimination of acquisition transaction	-	-	14 330	-	-
Investment liability	-	-	-	(31 723)	-
Foreign exchange differences	1 202	2 932	(8 193)	(15 299)	(7 173)
Working capital changes	(2 829)	(9 575)	(3 926)	(45 486)	12 879

2015	Change in receivables	Change in inventories	Change in other assets	Change in payables and other liabilities	Change in other provisions and employee benefits
The balance sheet change	(25 745)	(12 708)	(29 564)	114 657	(18 554)
Increase resulted from the acquisition (note 2)	1 226	3 209	17 333	(19 725)	(4 851)
Change of stock option plan liability	-	-	-	-	13 310
Foreign exchange differences	(2 854)	(3 391)	(16 181)	16 469	4 664
Working capital changes	(27 373)	(12 890)	(28 412)	111 401	(5 431)

17. Equity

Share capital

As described in note 1a) On April 27, 2005, the shares of AmRest Holding SE were floated on the Warsaw Stock Exchange (“WSE”).

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

As at December 31, 2016, the Company held 21 213 893 issued, fully paid-up shares. The Company's target capital is 500 000 shares. Nominal value of one share is 1 eurocent (0.01 EUR).

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

Other supplementary capital

Structure of other supplementary capital is as follows:

	Surplus over nominal value (share premium)	Non-refundable additional contributions to capital without additional issuance of shares made by the Group's shareholders before their debut on the WSE	Impact of put option value-tion	Employee options	Treasury shares	Hedges valuation influence	Trans-actions with non control-ling interests	Reserves total
As at 01.01.2015	**755 692**	**6 191**	**(176 536)**	**(2 674)**	**(4 014)**	**(10 736)**	**124 701**	**692 624**
COMPREHENSIVE INCOMES								
Impact of net investment hedges valuation	-	-	-	-	-	(476)	-	**(476)**
Deferred income tax concerning net investment and cashflow hedges	-	-	-	-	-	91	-	**91**
Comprehensive income total	-	-	-	-	-	(385)	-	**(385)**
TRANSACTIONS WITH NON-CONTROLLING INTEREST								
Acqusition of control in associates company	-	-	-	-	-	-	(8 006)	**(8 006)**
Transactions with non-controlling interest total	-	-	-	-	-	-	(8 006)	**(8 006)**
TRANSACTIONS WITH SHAREHOLDERS								
Own shares purchase	-	-	-	-	(49 779)	-	-	**(49 779)**
Proceeds from treasury shares	-	-	-	(32 581)	32 581	-	-	**-**
Employee stock option plan – value of employee services excerised in the period	-	-	-	18 180	-	-	-	**18 180**
Employee stock option plan – proceeds from employees - value of disposed shares	-	-	-	9 332	-	-	-	**9 332**
Employee stock option plan – value of unexercised employee benefits	-	-	-	12 624	-	-	-	**12 624**
Change of deferred tax related to unexercised employee benefits	-	-	-	3 716	-	-	-	**3 716**
Transactions with shareholders total	-	-	-	11 271	(17 198)	-	-	**(5 927)**
As at 31.12.2015	**755 692**	**6 191**	**(176 536)**	**8 597**	**(21 212)**	**(11 121)**	**116 695**	**678 306**
As at 01.01.2016	**755 692**	**6 191**	**(176 536)**	**8 597**	**(21 212)**	**(11 121)**	**116 695**	**678 306**
COMPREHENSIVE INCOMES								
Impact of net investment hedges valuation	-	-	-	-	-	(22 386)	-	**(22 386)**
Deferred income tax concerning net investment and cashflow hedges	-	-	-	-	-	4 253	-	**4 253**
Comprehensive income total	-	-	-	-	-	(18 133)	-	**(18 133)**
TRANSACTIONS WITH NON-CONTROLLING INTEREST								
Acqusition of control in associates company	-	-	-	-	-	-	(3 677)	**(3 677)**

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Transactions with non-controlling interest total	-	-	-	-	-	-	(3 677)	**(3 677)**
TRANSACTIONS WITH SHAREHOLDERS								
Own shares purchase	-	-	-	-	(50 079)	-	-	**(50 079)**
Proceeds from treasury shares	-	-	-	(60 168)	60 168	-	-	-
Employee stock option plan – value of employee services excerised in the period	-	-	-	19 687	-	-	-	**19 687**
Employee stock option plan – proceeds from employees - value of disposed shares	-	-	-	11 056	-	-	-	**11 056**
Employee stock option plan – value of unexercised employee benefits	-	-	-	(4 457)	-	-	-	**(4 457)**
Effect of modification of employee stock option plan	-	-	-	13 515	-	-	-	**13 515**
Change of deferred tax related to unexercised employee benefits	-	-	-	2 668	-	-	-	**2 668**
Transactions with shareholders total	-	-	-	(17 699)	10 089	-	-	**(7 610)**
As at 31.12.2016	**755 692**	**6 191**	**(176 536)**	**(9 102)**	**(11 123)**	**(29 254)**	**113 018**	**648 886**

Within the bank loans as at December 31, 2016 loan for the amount of EUR 102.7 million was disclosed, which is hedging net investment in Hungarian subsidiary AmRest Capital Zrt, it hedges Group against the foreign currency risk resulting from revaluations of net assets. Gain or loss from revaluation at appropriate exchange rate as of end of financial period of this liability balance are reflected into reserve capital in order to net the effect gains and losses on net investment in subsidiaries revaluation. During the period for the 12 months ended December 31, 2016 hedge was fully effective.

In loans and borrowings as at December 31, 2016 loans for value of EUR 75 million are included that are net investment hedges in Spanish subsidiary AmRest TAG S.L., hedging Group from currency exchange risk resulting from revaluation of net assets. Gain or loss from revaluation at appropriate exchange rate as of end of financial period of this liability balance are reflected into reserve capital in order to net the effect gains and losses on net investment in subsidiaries revaluation. During the period for the 12 months ended December 31, 2016 hedge was fully effective.

As at December 31, 2016 acummulated value of currency revaluation recognized in reserve capital (resulted from net investment hedges) amounted to PLN 22.386 thousand and deferred tax concerning this revaluation PLN 4.253 thousand.

Impact of hedges valuation:	Net investemnt in EUR	Valuation effects of security, total
As at 01.01.2015	**(10 736)**	**(10 736)**
Impact of net investment hedges valuation	(476)	(476)
Deferred income tax	91	91
As at 31.12.2015	**(11 121)**	**(11 121)**
As at 01.01.2016	**(11 121)**	**(11 121)**
Impact of cash flow hedges valuation	(22 386)	(22 386)
Deferred income tax	4 253	4 253
As at 31.12.2016	**(29 254)**	**(29 254)**

Foreign exchange differences on translation

Foreign exchange differences on translation cover all the foreign exchange differences resulting from the translation of the financial statements of the Group's foreign operations into Polish zloties.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
At the beginning of the period	(110 447)	(86 216)
Foreign exchange differences from net assets revaluation in subsidiaries	114 860	(24 231)
At the end of the period	**4 413**	**(110 447)**

Non-controlling interest

Foreign exchange differences on translation cover all the foreign exchange differences resulting from the translation of the financial statements of the Group's foreign operations into Polish zloties.

	31.12.2016	31.12.2015
Blue Horizon Hospitality Group PTE Ltd.	36 524	47 915
AmRest Coffee Sp. z o.o.	11 066	5 845
SCM Sp. z o.o.	7 153	6 813
AmRest Coffee s.r.o.	7 904	6 362
AmRest Kávézó Kft	2 944	2 553
AmRest d.o.o.	1 986	1 557
Non-controlling interests	**67 577**	**71 045**

18. Borrowings

Borrowings as at December 31, 2016 and December 31, 2015 are presented in the table below:

Long-term	**31.12.2016**	**31.12.2015**
Bank loans	759 550	756 790
Bonds	279 483	279 156
	1 039 033	**1 035 946**

Short-term	**31.12.2016**	**31.12.2015**
Bank loans	223 247	89 418
Bonds	8	-
	223 255	**89 418**

Bank loans and bonds

Currency	Lender/ bookbuilder	Interest rate	31.12.2016	31.12.2015
in PLN	Syndicated bank loan	WIBOR+margin	125 487	138 781
in EUR	Syndicated bank loan	EURIBOR+margin	786 419	637 183
in CZK	Syndicated bank loan	PRIBOR+margin	58 848	63 021
in PLN	Bonds 5 – years (issued in 2013 & 2014)	WIBOR+margin	279 486	279 156
in CNY	Bank loan – China	Constant	12 048	7 223
			1 262 288	**1 125 364**

Bank loans comprise mainly investment loans bearing a variable interest rate based on reference rates WIBOR, PRIBOR and EURIBOR. Exposure of the loans to interest rate risk and contractual dates for changing the interest rates occur in 3-month cycles.

On September 10, 2013 a Credit Agreement („the Agreement") between AmRest Holdings SE, AmRest Sp. z o.o. (AmRest Poland") and AmRest s.r.o. – jointly „the Borrowers" and Bank Polska Kasa Opieki S.A., Bank

Zachodni WBK S.A., Rabobank Polska S.A. (current name: BGŻ BNP Paribas S.A.) and ING Bank Śląski Polska S.A. – jointly „the Lenders" was signed.

Based on the Agreement the Lenders granted to the Borrowers a credit facility in the approximated amount of EUR 250 million. The facility consists of four tranches: Tranche A, EUR 150 million, Tranche B, PLN 140 million, Tranche C, CZK 400 million and Tranche D granted as a revolving credit facility, PLN 200 million. The facility shall be fully repaid by September 10, 2018 and is dedicated for repayment of the obligations under the credit agreement signed October 11, 2010 along with further annexes, financing development activities of AmRest and working capital management. All Borrowers bear joint liability for any obligations resulting from the Agreement. Additionally, the following members of the group are guarantors of the facility: OOO AmRest, AmRest TAG S.L.U., AmRestavia S.L., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U., Pastificio Service S.L.U., AmRest Finance Zrt and AmRest Capital Zrt. These entities secure Borrowers' repayment of borrowings until final repayment.

The loan is provided at a variable interest rate. AmRest is required to maintain liquidity ratios (net debt/EBITDA, equity/total assets, EBITDA/interest) at agreed levels. In particular net debt/EBITDA ratio is to be held at below 3.5 level and AmRest is required not to distribute dividend payments if the mentioned ratio exceeds 3.0 (see note 31).

On May 6, 2016 an Annex to the Agreement was signed introducing an amended and restated version of the credit agreement („the Amended Agreement").

Based on the Amended Agreement, the Lenders granted the Borrowers an additional credit tranche (Tranche E) in the amount of EUR 50 million and increase revolving credit tranche (Tranche D) by PLN 100 million. The amount granted within Tranche E is dedicated to finance or refinance costs of M&A activities, while increased revolving credit is to finance working capital and capital expenditures.

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.

As at December 7, 2009 AmRest Holdings SE signed with RBS Bank (Polska) S.A. and Bank Pekao S.A. agreement for bonds issuance ("5years bonds"), on the basis of which option program for corporate bonds of AmRest was released, allowing to issue bonds in total maximum value of PLN 300 million, where bonds in the value of PLN 150 million were issued already. Agreement was signed for agreed period till July 9, 2015 with period extension options till repayment of all issued bonds.

On August 22, 2012 the above mentioned agreement was replaced with the new one signed between AmRest Holding SE, AmRest Sp. z o.o. and Bank PEKAO S.A. for a defined period until December 31, 2019. Program extension is possible until redemption of all bonds issued.

On June 18, 2013 bonds in the amount of PLN 140 million were issued under the new agreement. The issue is part of a plan to diversify financing sources of AmRest. Bonds are issued with variable interest rate 6M WIBOR increased by a margin and are due on June 30, 2018. Interest is paid on semi-annual basis (June 30 and December 30), beginning December 30 2013. Group is required to maintain certain financial ratios (net debt/EBITDA, equity/total assets, EBITDA/interest charge) at levels agreed in the Emission Terms dated June 18, 2013 (accordingly: <3.5; >3.5; >0.3). There are no additional securities on the bond issue.

On September 10, 2014 AmRest made an early redemption of bonds for the total value of PLN 131,5m. At the same time, AmRest issued 14 000 bonds in the total nominal value of PLN 140m with maturity date September 10, 2019. The bonds have a variable interest rate of 6M WIBOR increased by margin. The interest is paid semi-annually (on June 30 and December 30). Group is required to maintain certain financial ratios (net debt/EBITDA, equity/total assets, EBITDA/interest charge) at levels agreed in the Emission Terms dated September 10, 2014 (accordingly: <3.5; >3.5; >0.3). There are no additional securities on the bond issue.

On December 30, 2014 AmRest made a redemption of bonds that reached maturity date on Dec 30, 2014 with the face value of PLN 18.5m. As at December 31, 2016 AmRest has two bond issues outstanding: PLN 140m with maturity date June 30, 2018 and PLN 140m maturing on September 10, 2019.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

As at December 31, 2016 the payables concerning bonds issued are PLN 279.491 thousand.

The maturity of long- and short-term loans as at December 31, 2016 and December 31, 2015 is presented in the table below:

	31.12.2016	**31.12.2015**
Up to 1 year	223 255	89 418
Between 1 and 2 years	899 033	156 110
Between 2 and 5 years	140 000	879 836
	1 262 288	**1 125 364**

The Group has the following unused, awarded credit limits as at December 31, 2016 and December 31, 2015:

	31.12.2016	**31.12.2015**
With floating interest rate		
- expiring within one year	-	28 333
- expiring beyond one year	300 000	200 000
	300 000	**228 333**

19. Employee benefits liabilities

Employee share option plan 2

In April 2005, the Group implemented another Employee Option Plan which is share-based, thinking of its selected employees. The whole number of shares which are attributed to the options is determined by the Management Board, however, it may not exceed 3% of all the outstanding shares. Moreover, the number of options granted to employees is limited to 200 000 options. In accordance with the provisions of the Plan, the Group, following approval by the Management Board, is entitled to determine, apart from other issues, the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price will be in principle equal to the market price of the Company's shares as at the date of awarding the option, and the vesting period will be 3 to 5 years. The Employee Option Plan was approved by the Company's Management Board and the General Shareholders' Meeting.

In January 2010, Supervisory Board of Group parent entity approved resolution confirming and systemizing total amount of shares for which may be issued options that will not exceed allowed 3% of shares in market.

In June 2011, Supervisory Board of Group parent entity approved and changed the prevoius note related to the number of options granted to employees is limited to 100 000 per annum.

In November 2014, Supervisory Board of Group parent entity approved and changed wording of regulations by adding net cash settlement of option value (employee decides about settlement method).

For the grants after December 8, 2015 a change in regulations was implemented which eliminated a possibility of option settlement with cash method. Furthermore, group of employees made a unilateral statement about resignation from cash settlement possibility in relation to option granted also in previous periods.

Due to above changes, Employee option plan 2 comprises of both equity-settled options and cash-settled options. As a result of modification of some options from cash-settled into equity-settled, a reclassification was performed from liabilities into equity in amount of PLN 13.515 thousands. As at December 31, 2016 liability of PLN 11.255 thousands was recognized. As at December 31, 2015 liability amounted to PLN 21.629 thousands.

For equity-settled options as at December 31, 2016 a provision of PLN 14.043 thousands was recognized in reserve capital (modification described above included). As at December 31, 2015 this provision amounted to PLN 128 thousands.

Employee share option plan 3

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

In December, 2011, the Group implemented further Employee Option Plan which is share-based, thinking of its selected employees. The whole number of shares which are attributed to the options is determined by the Supervisory Board, however, it may not exceed 1 041 000 shares. In accordance with the provisions of the Plan, the Supervisory Board of Group, on request of the Management Board, is entitled to determine, apart from other issues, the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price will be in principle equal to the market price of the Company's shares as at the date of preceding the day of awarding the option, and the vesting period will be 3 years. The option exercise price will be increased by 11% each year. The Employee Option Plan was approved by the Company's Supervisory Board.

As at December 31, 2016 PLN 7.399 thousands of liabilities were presented in equity (note 17) according to group policy (note 1 s). As at December 31, 2015 PLN 12.496 thousands were presented in equity.

Value of liability for Employee share option plan as at December 31, 2016 and December 31, 2015 was presented below:

	31.12.2016	**31.12.2015**
Liability for Employee share option plan 2	11 255	21 629
Other	8 595	5 048
	19 850	**26 677**

The terms and conditions for the share options awarded to employees are presented in the table below:

Award date	**Number of share options awarded**	**Terms and conditions for exercising the options**	**Option exercise price in PLN**	**Options term to maturity period**
Plan 2				
April 30, 2005	79 300	5 years, gradually, 20% per annum	24.0	10 years
April 30, 2006	75 000	5 years, gradually, 20% per annum	48.4	10 years
April 30, 2007	89 150	5 years, gradually, 20% per annum	96.5	10 years
April 30, 2008	105 250	5 years, gradually, 20% per annum	86.0	10 years
June 12, 2008	20 000	5 years, gradually, 20% per annum	72.5	10 years
August 22, 2008	1 000	5 years, gradually, 20% per annum	65.4	10 years
April 30, 2009	102 370	5 years, gradually, 20% per annum	47.6	10 years
May 10, 2009	3 000	5 years, gradually, 20% per annum	73.0	10 years
April 30, 2010	119 375	5 years, gradually, 20% per annum	70.0	10 years
April 30, 2010	7 975	5 years, gradually, 20% per annum	70.0	10 years
June 20, 2011	105 090	5 years, gradually, 20% per annum	78.0	10 years
September 5, 2011	1 000	5 years, gradually, 20% per annum	70.6	10 years
April 30, 2012	81 500	5 years, gradually, 20% per annum	70.0	10 years
April 30, 2013	91 700	5 years, gradually, 20% per annum	81.0	10 years
April 30, 2014	79 830	5 years, gradually, 20% per annum	81.0	10 years
December 9, 2015	127 865	5 years, gradually, 20% per annum	130.9	10 years
April 30, 2016	142 960	5 years, gradually, 20% per annum	223.5	10 years
Total	1 232 365			
Plan 3				
December 13, 2011	616 000	3 years, gradually, 33% per annum	61.00	10 years
October 8, 2012	259 000	3 years, gradually, 33% per annum	64.89	10 years
January 16, 2014	215 000	3 years, gradually, 33% per annum	67.43	10 years
July 8, 2014	50 000	3 years, gradually, 33% per annum	61.00	10 years
October 1, 2014	90 000	3 years, gradually, 33% per annum	82.11	10 years
November 30, 2014	30 000	3 years, gradually, 33% per annum	61.00	10 years
Total	1 260 000			

In the table below we present the number and weighted average of the exercise price of the options from all plans for the 12 months period ended December 31, 2016 and 2015:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2	Weighted average option exercise price	Number of options Plan 3	Number of options Plan 2
		2016			2015	
At the beginning of the period	PLN 67.24	659 999	403 649	PLN 67.24	1 030 000	544 506
Utilized during the period	PLN 90.26	(254 997)	(111 575)	PLN 78.84	(260 001)	(241 179)
Redeemed during the period	PLN 110.74	-	(9 150)	PLN 65.97	(110 000)	(27 543)
Awarded during the period	PLN 223.50	-	142 960	PLN 130.90	-	127 865
At the end of the period	PLN 61.38	405 002	425 884	PLN 81.34	659 999	403 649
Available for exercising as at the end of the period	PLN 65.34	253 334	97 358	PLN 64.86	476 666	139 455

The fair value of the work performed in consideration for the options issued is measured using the fair value of the options awarded. The estimated fair value of the benefits is measured using the trinomial model and a model based on the Monte-Carlo method. One of the input data used in the above model is the term to maturity of the options (10 years). The possibility of early exercising of the option is taken into consideration in the trinomial model.

The fair value of the options as at the moment of awarding was determined on the basis of the following parameters:

Issued in period		Average fair value of option as at the date of award	Average price of share at the date of measurement/award	Average exercise price	Expected fluctuations of share prices (expressed as the weighted average fluctuation in share prices used in the trinomial model)*	Expected term to maturity of the options (expressed as the weighted average period to maturity of the options used in the trinomial model)	Expected dividend (from 2009)	Risk-free interest rate (based on Treasury bills)
from 1/1/2014 to 31/12/2014	Plan 3	PLN 26.73	PLN 64.65	PLN 64.65	36%	10 years	-	3.50%
from 1/1/2012 to 31/12/2012	Plan 3	PLN 22.57	PLN 61.00	PLN 61.00	38%	10 years	-	5.82%
from 1/1/2011 to 31/12/2011	Plan 3	PLN 25.35	PLN 73.95	PLN 64.89	37%	10 years	-	4.35%
from 1/1/2016 to 31/12/2016	Plan 2	PLN 112,05	PLN 223,50	PLN 223,50	37%	10 years	-	2,23%
from 1/1/2015 to 31/12/2015	Plan 2	PLN 103.98	PLN195.95	PLN 130.90**	24%	10 years	-	2.37%
from 1/1/2014 to 31/12/2014	Plan 2	PLN 50,87	PLN 81.82	PLN 81.00	36%	10 years	-	3.50%
from 1/1/2013 to 31/12/2013	Plan 2	PLN 41.34	PLN 81.00	PLN 81.00	34%	10 years	-	3.50%
from 1/1/2012 to 31/12/2012	Plan 2	PLN 39.62	PLN 70.00	PLN 70.00	37%	10 years	-	5.36%
from 1/1/2011 to 31/12/2011	Plan 2	PLN 45.97	PLN 78.00	PLN 78.00	37%	10 years	-	5.61%
from 1/1/2010 to 31/12/2010	Plan 2	PLN 42.61	PLN 70.00	PLN 70.00	40%	10 years	-	5.51%
from 1/1/2009 to 31/12/2009	Plan 2	PLN 27.38	PLN 48.32	PLN 48.32	41%	7.6 years	-	5.80%
from 1/1/2008 to 31/12/2008	Plan 2	PLN 29.81	PLN 83.8	PLN 83.8	37%	8.9 years	18.80%	5.80%
from 1/1/2007 to 31/12/2007	Plan 2	PLN 36.09	PLN 96.5	PLN 96.5	33%	9.9 years	18.80%	5.50%

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

from 1/1/2006 to 31/12/2006	PLN 15.5	PLN 48.3	PLN 48.3	31%	9.9 years	18.80%	4.98%
from 1/1/2005 to 31/12/2005	PLN 8.9	PLN 25.7	PLN 24.0	40%	9.9 years	18.80%	4.50%

* Due to the fact that before 2006 the Company was not listed on the WSE, the expected fluctuations in the prices of its shares for measuring awards from before 2006 were based on the historical fluctuations of share prices of comparable companies quoted on the WSE (calculated on the basis of the weighted average time to maturity of the options), adjusted by all the expected changes in the future fluctuations of the share prices resulting from published information on the Company. Estimates for awards from 2006 were based on the actual fluctuations in the Company's quoted share prices. High actual fluctuation in share prices is the effect of a significant increase in the Company's share prices from their flotation.
**Option plan grant price are set in April, when market price was in the range of grant price 130 PLN set in 2015. Grant date got postponed due the documentation issues.

Options are awarded after the terms and conditions relating to the period of employment have been met. The Plan does not provide for any additional market conditions on which the exercising of the options would depend.

Other incentive programs

Key managers of the Spanish and Chinese market participate in motivation programs which bases on exceeding goals of the following businesses growth.
Employee benefits costs

The costs recognized in connection with the plans relating to incentive programs for the period of 12 months ending on December 31, 2016 and December 31, 2015 respectively are presented below:

	31.12.2016	**31.12.2015**
Value of employee benfits in employee stock option plan 2	20 042	21 458
Value of employee benfits in employee stock option plan 3	2 372	4 782
Value of employee benfits in local incentive program - Spain	5 400	2 730
Value of employee benfits in local incentive program - China	(535)	834
	27 279	**29 804**

Pension, health care and other contributions

The costs recognized in connection with the retirement benefit contributions for the period of 12 months ending on December 31, 2016 and December 31, 2015 respectively are presented below:

	31.12.2016	**31.12.2015**
Pension, health care contributions and other	201 110	142 594
	201 110	**142 594**

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

20. Provisions

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

2016	As at **01.01.2016**	Increase resulted from acquisitions	Increases	Utilization	Foreign exchange differences	As at **31.12.2016**
Onerous contracts	3 149	-	4 735	(1 652)	435	6 667
Asset retirement obligation	-	9 794	-	-	(157)	9 637
Provision for court fees	615	-	881	(18)	(4)	1 474

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

2016	As at **01.01.2016**	Increase resulted from acquisitions	Increases	Utilization	Foreign exchange differences	As at **31.12.2016**
Provision for tax risks	479	-	6 386	(594)	(334)	5 937
Provision for other	2	-	-	-	-	2
Total	**4 245**	**9 794**	**12 002**	**(2 264)**	**(60)**	**23 717**

2015 (after adjustments)	As at **01.01.2015**	Increase resulted from acquisitions	Increases	Utilization	Foreign exchange differences	As at **31.12.2015**
Onerous contracts	4 976	-	2 545	(4 630)	258	3 149
Provision for court fees	1 645	-	582	(1 587)	(25)	615
Provision for tax risks	2 524	-	118	(2 328)	165	479
Provision for other	160	-	-	(159)	1	2
Total	**9 305**	-	**3 245**	**(8 704)**	**399**	**4 245**

All provisions are treated as long-term liability.

Provision for onerous contracts

As at the balance sheet date, the Group showed a provision for onerous lease contracts. These contracts relate to most locations in which the Group does not engage in restaurant operations but only subleases the premises to other entities on unfavourable terms. It is expected that will be used during 2016 and 2017.

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 showed 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. According to the nature of this provision final settlement is expected within 2016 and 2017.

Provision for tax liabilities

Group operates in numerous markets with different and changing tax rules and additionally realizes its growth within new investments and often has to decide to create or modify value of tax liability provision. During recognition or modification of such provisions all available information, historical experience, comparison and best estimate is used. It is expected that will be used during 2016 and 2017.

Asset retirement obligation

Taking into account characteristics of German market and Group's accounting policy point t), the Group recognized on the acquisition of Starbucks in Germany a provision for costs of future asset restorations. The provision value is provisional and is currently under verification. Total value may change once final acquisition accounting will be made for Starbucks Germany. The provision consists of expected costs to bear at the end of rental agreement. The provision would be used for renovation work needed to restore rented properties, as required by rental agreements.

21. Other non-current liabilities

Other non-current liabilities cover the long-term portion of deferred income of rents. Deferred income amount PLN 8.429 thousand and PLN 14.901 thousand respectively as at December 31, 2016 and December 31, 2015.

22. Trade and other payables

Trade and other payables as at December 31, 2016 and December 31, 2015 cover the following items:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	31.12.2016	31.12.2015
Payables to non-related entities, including:	459 330	356 663
Trade payables	238 636	229 352
Payables in respect of uninvoiced lease fees and deliveries of food	31 688	16 946
Employee payables	31 849	31 662
Social insurance payables	37 267	23 757
Pre-acquisition tax settlements liability (note 2)	50 161	-
Other tax payables	19 929	16 678
Gift voucher liabilities	2 066	1 427
Other payables to non-related entities	47 734	36 841
Liabilities to related entities (note 29)	42	94
Accruals, including:	135 114	98 999
Employee bonuses	29 139	27 491
Marketing services	8 287	8 076
Holiday pay accrual	19 238	13 055
Professional services	16 067	7 315
Franchise fees	11 877	9 742
Lease cost provisions	16 147	15 662
Investment payables accrual	27 192	10 128
Other	7 167	7 530
Deferred income – short-term portion	19 498	5 173
Social fund	945	845
Total trade and other payables	**614 929**	**461 774**

23. Finance lease liabilities

Financial lease liabilities – present value:

	31.12.2016	31.12.2015
Payable within 1 year	1 636	1 323
Payable from 1 to 5 years	4 426	4 396
Payable after 5 years	3 454	3 525
	9 516	**9 244**

Finance lease liabilities – minimum lease payments:

	31.12.2016	31.12.2015
Payable within 1 year	2 507	2 242
Payable from 1 to 5 years	6 101	6 232
Payable after 5 years	4 728	5 131
Total minimum lease payments	13 336	13 605
Future finance costs in respect of finance leases	(3 820)	(4 361)
Present value of finance lease liabilities	**9 516**	**9 244**

24. Operating leases

The Group concluded many irrevocable operating lease agreements, mainly relating to leases of restaurants. In respect of restaurants, lease agreements are concluded on average for a period of 10 years and require a minimum notice period on termination.

The expected minimum lease fees relating to operating leases without the possibility of earlier notice are presented below:

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	31.12.2016	31.12.2015
Payable within 1 year	389 534	309 252
Payable from 1 to 5 years	1 109 743	1 051 701
Payable after 5 years	852 613	797 978
Total minimum lease payments	**2 351 890**	**2 158 931**

In respect of many restaurants (especially those in shopping malls) lease payments comprise two components: a fixed fee and a conditional fee depending on the restaurant's revenues. The conditional fee usually constitutes from 2.5% to 9% of a restaurant's revenue.

Lease costs relating to operating leases (broken down by the fixed and conditional portion) for the 12 months of 2016 and 2015 are as follows:

	For the 12 months ended December 31, 2016			For the 12 months ended December 31, 2015		
	Fixed fee	Conditional fee	Total	Fixed fee	Conditional fee	Total
Czech	37 563	4 870	42 433	33 476	4 058	37 534
Hungary	16 202	2 115	18 317	12 254	-	12 254
Poland	109 866	9 537	119 403	49 029	63 520	112 549
Russia	45 026	4 320	49 346	43 115	426	43 541
Bulgaria	2 525	58	2 583	1 622	-	1 622
Serbia	1 498	44	1 542	1 440	-	1 440
Croatia	1 280	-	1 280	1 163	-	1 163
Spain	70 988	3 825	74 813	67 481	136	67 617
China	36 184	2 926	39 110	33 604	-	33 604
Romania	8 303	917	9 220	3 773	-	3 773
Germany	50 228	4 260	54 488	-	-	-
Slovakia	450	107	557	-	-	-
Total	**380 113**	**32 979**	**413 092**	**246 957**	**68 140**	**315 097**

The Group signs agreements for a definite period without the opportunity to terminate the contract. The prolongation of the agreement bases on market conditions.

The Group is also a party to sublease agreements on the basis of operating leases. Income from sublease fees on the basis of operating leases for the 12 month periods of 2016 and 2015 are as follows:

	31.12.2016	31.12.2015
Russia	195	405
Czech	665	566
Poland	542	331
Germany	273	-
Total	**1 675**	**1 302**

25. Collateral on borrowings

The loans incurred by the Company do not account for collateral set up on fixed assets and other assets owned by the Company. 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 – OOO AmRest, AmRest TAG S.L.U., AmRestavia S.L.U., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U., Pastificio Service S.L.U., AmRest Finance Zrt and AmRest Capital Zrt – granted guarantees 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. September 10, 2018.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

26. Earnings per share

The basic and diluted earnings per ordinary share for the 12-month period of 2016 and 2015 were calculated as follows:

	For the 12 months ended December 31, 2016	**For the 12 months ended December 31, 2015**
Net profit from continued operations attributable to equity holders of the parent company	190 564	160 036
Weighted average number of ordinary shares in issue	21 213 893	21 213 893
Weighted average number of ordinary shares for diluted earnings per share	21 213 893	21 213 893
Basic earnings per ordinary share	8.98	7.54
Diluted earnings per ordinary share	8.98	7.54

On December 1, 2014 expired possibility for AmRest Holdings SE to make capital increases to the amount of EUR 5 thousand of the authorized capital (in accordance with paragraph 4.1 of the Articles of Association of the Company). This right was given by the resolutions of the AGM of shareholders No. 13 as at June 10, 2011. As at December 31, 2016 and 2015, the Company was not possible potential issuance of shares for the settlement of the stock option plans. Settlement of share option plans can be made in the form of own shares acquired from stock exchange or cash (please refer to note 19).

27. 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. The expenses for the purpose forecast by the Group amount to ca. 1.5% of annual sales form the restaurants' operations in the future periods.

Other future commitments resulting from the agreements with the Burger King, Starbucks and the current and future franchise agreements were described in note 1a) and note 1i).

According to Group Management 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.

As at December 31, 2016 no guarantees to third parties have been issued.

28. Investment in associates

Changes to the value of investments in associates in consecutive periods are presented in the table below:

	31.12.2016	**31.12.2015**
At the beginning of the period	828	403
Share in profits and losses of associates	59	588
Dividend payment	-	(163)

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	31.12.2016	31.12.2015
Other	1	-
Balance as at the end of the year	**888**	**828**

The Group's share in associates and the basic financial data of the entities are as follows:

Name of associate	Country of registration	Assets	Liabilities	Revenues	Profit/ (Loss)	Shares held (%)
December 31, 2016						
SCM s.r.o.	Czech	2 241	345	2 188	825	45.90
December 31, 2015						
SCM s.r.o.	Czech	1 216	193	1 602	588	45.90

29. Transactions with related entities

Transactions with related parties are held in accordance with market regulations.
Trade and other receivables from related entities

	31.12.2016	31.12.2015
MPI Sp. z o. o.	11	7
Associates	2	-
	13	**7**

Trade and other payables to related entities

	31.12.2016	31.12.2015
MPI Sp. z o. o.	38	94
Associates	4	-
	42	**94**

Sales of goods for resale and services

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
MPI Sp. z o. o.	75	69
Associates	31	39
	106	**108**

Purchase of goods for resale and services

	For the 12 months ended December 31, 2016	For the 12 months ended December 31, 2015
MPI Sp. z o. o.	1 432	1 575
Associates	-	-
	1 432	**1 575**

Other related entities

Metropolitan Properties International Sp. z o. o.

As at December 31, 2016 Metropolitan Properties International Sp. z o.o. was a company owned by Henry McGovern. Henry McGovern entered on December 31, 2016 Supervisory Board of AmRest Holdings SE.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Company Metropolitan Properties International Sp. z o.o is involved in activities related to real estate. The Group leases from Metropolitan Properties International Sp. z o.o three restaurants on conditions similar to those lease agreements concluded with third parties. Rental fees and other charges paid MPI amounted to PLN 1.432 thousand and PLN 1.575 thousand a period of twelve consecutive months ending December 31, 2016 and December 31, 2015.

Group shareholders

As at December 31, 2016, FCapital Dutch B.V. was the largest shareholder of AmRest and held 61.85% 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 the management/Management Board, Supervisory Board

The remuneration of the Management Board of AmRest Holdings SE paid by the Group was as follows:

	For the 12 months ended December 31, 2016	**For the 12 months ended December 31, 2015**
Remuneration of the members of the Management and Supervisory Boards paid directly by the Group	13 318	9 620
Total remuneration paid to the Management Board and Supervisory Board	**13 318**	**9 620**

The Group's key employees also participate in an employee share option plan (note 19). The costs relating to the employee option plan in respect of management amounted to PLN 2.166 thousand and PLN 10.078 thousand respectively in the 12 month period ended December 31, 2016 and December 31, 2015.

		For the 12 months ended December 31, 2016	**For the 12 months ended December 31, 2015**
Number of options awarded		358 420	637 869
Number of available options		305 353	352 115
Fair value of options as at the moment of awarding	PLN	11 954 180	20 176 377

As at December 31, 2016 and December 31, 2015, there were no liabilities to former employees.

30. Critical accounting estimates and judgments

Key sources of uncertainties relating to estimates

Estimates and judgments are continually verified, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that are exposed to a significant risk of introducing a significant adjustment of the carrying amount of assets and liabilities during another financial year relate mainly to the impairment tests in respect of property, plant and equipment and goodwill, amortization and depreciation, provisions and calculation of deferred tax.

Estimated impairment of goodwill

The Group each year tests goodwill for impairment in accordance with its accounting policies described in note 1p). The recoverable value of a cash generating unit is determined on the basis of the calculation of its value in use (note 11). As at December 31, 2016 and December 31, 2015 goodwill impairment was not recognized.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Estimated impairment of property, plant and equipment

Once a year Group tests impairment of property, plant and equipment for impairment losses according to the accounting policy described in note 1p). This value is compared with assets value and in case of identification of gap in coverage there is impairment loss recognized. In the period of 12 months ended December 31, 2016 and December 31, 2015 were recognized impairment losses according to information presented in note 8 and 10.

Estimated depreciation charges

Estimation of depreciation rates is realized on the basis of 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.

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 December 31, 2016 by ca. PLN 24.643 thousand. 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 December 31, 2015 by ca. PLN 20.070 thousand.

Fair value estimation

As at financial statement publishing date fair value of financial instruments which are in turnover on active market bases on market quotation. Fair value of financial instruments which aren’t in turnover on active market is calculated by using valuation techniques. The Group used estimations to establish fair value of assets and liabilities on acquisiton. Details of those estimations are described in note 2.

The Group uses different methods and assumptions based on market conditions as at each balance sheet date. Fair value of financial assets and investment property available for sale, which are not in turnover on active market, is calculated with using sector indexes and last available information concerning the investment. Fair value of currency exchange rate option and forwards is calculated based on valuation made by banks which issued the instrument.

The following fair value valuations concerning financial instruments were used by the Group:

- quoted prices (not adjusted) from active markets for the same assets and liabilities (Level 1),
- input data different from quoted prices included in Level 1, which are observed for assets and liabilities directly (as prices) or indirectly (based on prices) (Level 2),
- input data for valuation of assets and liabilities, which don’t base on possible to observe market data (input data not observed) (Level 3).

Fair value of investment property, which was not in turnover on active market, was calculated with use of valuation techniques.

	Note	**Level 1**	**Level 2**	**Level 3**	**31.12.2016**
Investment property	9	-	22 152	-	22 152

Investment property belongs to the “CEE” segment.

For the purpose of the risk management related to certain transaction within the Group, forward currency contracts are used. Open contracts are not designated as cash flow hedges, fair value hedges or net investment hedges in foreign operations. They are signed for periods not longer than risk exposition periods, prevailing for one to twelve months. As at December 31, 2016 the Group was not in possession of open contracts.

Provisions

Key uncertainties and estimates are described in note 20.

Gift card liability estimates

Subsidiaries of the Group are performing operations also within sales and realization of gift cards. Group records a liability in the period in which gift cards are issued and proceeds are received. As gift cards are redeemed, this liability is reduced and revenue is recognized. The liability for gift cards not redeemed after two years is recognized as revenue. Following own and industry experience, historical and legal analysis this approach should be treated as best available estimate regarding gift cards. Value of gift card liability is presented in note 22.

Deferred income tax

Uncertainties and estimates related to deferred taxes come mainly from recognizing a deferred tax asset in respect of unused tax losses carried forward (note 7).

Critical accounting judgments

Critical accounting judgments relate to the classification of leases – notes 23 and 24 and recognition of deferred tax on tax loss carryforwards – note 7. In classification of agreements for operating lease and finance categories critical judgments are made allowing to classify given agreement to given type of leasing. Judgments consider mainly: period of use, purchase option, alternatives availability, term of agreement cancelation.

31. Financial instruments

Fair value

The table below presents financial instruments in the Group, which are not measured at fair value, in their book value and fair value, in division on classes and categories of assets and liabilities:

In thousands of Polish Zloty				31.12.2016		31.12.2015	
Financial instrument	**IAS 39 cate-gory**	**Fair value hierachy**	**Notes**	**Fair value**	**Book value**	**Fair value**	**Book value**
Other non-current assets, except for prepayments	A	3	12	61 468	61 468	49 389	49 389
Trade and other receivables	A	*	14	67 512	67 512	51 431	51 431
Other current assets, except for prepayments	A	*	15	24 908	24 908	14 330	14 330
Cash and cash equivalents	A	*	16	291 641	291 641	317 871	317 871
Interest-bearing loans and borrowings (long term)	B	3	18	759 550	759 550	756 790	756 790
Bonds	B	3	18	279 491	279 491	279 156	279 156
Finance lease liabilities (long term)	B	3	23	7 880	7 880	7 921	7 921
Employee benefits financial liability	B	3	19	8 595	8 595	3 564	3 564
Other non-current financial liabilities	B	3	21	608	608	700	700
Interest-bearing loans and borrowings (short term)	B	*	18	223 225	223 225	89 418	89 418
Finance lease liabilities (short term)	B	*	23	1 636	1 636	1 323	1 323
Trade and other accounts payable (short term)	B	*	22	436 686	436 686	373 348	373 348

A - loans and receivables measured at amortised cost

B - financial liabilities measured at amortised cost

** It is assumed, that fair value almost equals the book value, therefore no fair value measurement techniques have been used to valuation of these items.*

Book values of short-term: receivables, other assets, payables, loans and liabilities are similar to their fair values due to their short term settlement. According to the estimations of the Group, fair values of non-current assets and liabilities immaterially differs from their respective book values.

As at December 31, 2016 the Group did not possess financial instruments measured at fair value. As at December 31, 2016 the Group did not recognize the transfers between levels of fair value valuations.

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

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 Company's financial results. Risk management is based on procedures approved by the Management Board.

Credit risk

Financial instruments especially exposed to credit risk include cash and cash equivalents, receivables, derivatives and investments held to maturity. The Group invests cash and cash equivalents with highly reliable financial institutions. There is no significant concentration of credit risk in respect of trade and other receivables due to the fact that sales are based mainly on cash and credit card payments. The Group set up an additional impairment write-down of PLN 613 thousand for the Group's receivables exposed to credit risk. The maximum credit risk exposure amounts to PLN 392.299 thousand.

The ageing break-down of receivables and receivable write-downs as at December 31, 2016 is presented in the table below:

	current	overdue in days				Total
		less than 90	91 - 180	181 - 365	more than 365	
Trade and other receivables	87 386	4 821	9 400	80	6 910	108 597
Receivable write-downs	(2 050)	(318)	-	-	(6 845)	(9 213)
Total	85 336	4 503	9 400	80	65	99 384

Value of impairment provisions for receivables as at December 31, 2016 and December 31, 2015 is presented in table below:

	31.12.2016	**31.12.2015**
Value for the beginning of the period	10 540	7 464
Provision created	1 096	2 678
Provisions released	(1 709)	-
Provisions used	(1 141)	(98)
Other	427	496
Value for the end of the period	**9 213**	**10 540**

The Group did not recognize impairment on overdue trade and other receivables of PLN 14.048 thousand because it believes that they will be recovered in full.

Interest rate risk

Bank borrowings drawn by the Group are most often based on fluctuating interest rates (note 18). As at December 31, 2016 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyzes 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.

Had the interest rates on loans denominated in Polish zloties during the 12 months ended December 31, 2016 30 base points higher/lower, the profit before tax for the period would have been PLN 1.248 thousand lower/higher (2015: PLN 1.257 thousand).

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

Had the interest rates on loans denominated in Czech crowns during the 12 months ended December 31, 2016 been 30 base points higher/lower, the profit before tax for the period would have been PLN 188 thousand lower/higher (2015: PLN 184 thousand).

Had the interest rates on loans denominated in euro during the 12 months ended December 31, 2016 been 30 base points higher/lower, the profit before tax for the period would have been PLN 2.264 thousand lower/higher (2015: PLN 1.878 thousand).

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, recognized 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, but many landlords require that the lease payments be indexed to EUR or to USD.

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

Net investment foreign currency valuation risk

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.

In 2016 Group applies hedging accounting for revaluation of borrowings, in EUR constituting net investment hedges in Hungarian and Spanish entities. Details concerning hedging on currency risk are described in note 17.

The Group is also exposed to translation risk resulting from converting the income statement and balance sheet items of Russian subsidiaries into PLN. As of the balance sheet date the official exchange rate of Russian Rouble against Polish zloty was PLN 0,0680 per RUB 1, compared to PLN 0,0528 per RUB 1 as at 31 December 2015. Significant change in exchange rates may have a negative or positive effect on the value and results of the businesses in Russia. The Group does not use specific tools to hedge against foreign exchange risks related to valuations of business operations in Russia.

Sensitivity analysis

As at December 31, 2016 and December 31, 2015, the Group's assets and liabilities are denominated mainly in the functional currencies of the Group members.

As at December 31, 2016 if foreign exchange rates would increase by 10% effect of net investment hedge valuation would not influence net income due to 100% efficiency of the hedge. Effect on the comprehensive income would be in the value of PLN 78.637 thousand (2015: PLN 63.922 thousand).

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 at December 31, 2016 and December 31, 2015 is presented in the table below:

	31.12.2016			31.12.2015		
	Loan instalments	Interest and other charges	Total	Loan instalments	Interest and other charges	Total
Up to 1 year	223 255	56 719	279 974	91 754	52 165	143 919

Notes to the consolidated financial statements (in PLN thousands unless stated otherwise)

	31.12.2016			31.12.2015		
	Loan instalments	Interest and other charges	Total	Loan instalments	Interest and other charges	Total
Between 1 and 2 years	903 349	47 942	951 291	157 850	44 090	201 940
Between 2 and 5 years	140 082	35 957	176 039	880 164	39 736	919 900
More than 5 years	-	-	-	-	-	-
Payable gross value	1 266 686	140 618	1 407 304	1 129 768	135 991	1 265 759
Not amortized loan cost	(4 398)	-	(4 398)	(4 404)	-	(4 404)
Payable net value	1 262 288	140 618	1 402 906	1 125 364	135 991	1 261 355

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. Financing at the level of 3.5 of yearly EBITDA is treated as acceptable target and safe level of capital risk.

The Group monitors capital using the gearing ratio. The ratio is calculated as net debt to the value of EBITDA. Net debt is calculated as the sum of borrowings (comprising loans and advances, and finance lease liabilities) net of cash and cash equivalents. EBITDA is calculated as the profit from operations before interest, taxes, depreciation and amortization and impairment.

The Group's gearing as at December 31, 2016 and December 31, 2015 is as follows:

	31.12.2016	**31.12.2015**
Total borrowings (note 18)	1 262 288	1 125 364
Finance lease liabilities (note 23)	9 516	9 244
Less: cash and cash equivalents (note 16)	(291 641)	(317 871)
Net debt	980 163	816 737
Income from operating activity before interests, tax, depreciation, gain/loss on fixed assets sale and impaiment (adjusted EBITDA)	541 950	440 365
Gearing ratio	**1.81**	**1.85**

The relative decrease in the gearing ratio as at December 31, 2016 results from combined effect of higher operating income and increase of debt.

32. Events after the Balance Sheet Date

On January 24, 2017 AmRest Holdings SE was signed a Share Purchase Agreement ("SPA") between AmRest and Top Brands NV ("Seller"). Pursuant to SPA AmRest will acquire 100% shares of Pizza Topco France SAS ("Pizza Topco") at estimated price of ca. EUR 14m (approx. PLN 61m). Final purchase price will be determined as at the day of closing of the transaction. Pizza Topco is the exclusive master franchisee of Pizza Hut Delivery restaurants across France. Currently Pizza Topco operates 123 restaurants, the majority of which are managed by franchisees. The equity restaurants (7 locations) are managed by Pizza Delco France SAS ("Pizza Delco"), a company owned in 100% by Pizza Topco. Both parties intend to close the transaction within couple of months ("Completion"). Completion is contingent upon a number of conditions, such as: standard material adverse change clause ("MAC"), approval from the Supervisory Board of AmRest, signing of a master franchise agreement with YUM! Restaurant Holdings (Pizza Hut brand owner).

On January 31, 2017 Mr. Jacek Trybuchowski resigned from the function of the member of AmRest Management Board, effective February 1st, 2017. The resignation is due to personal reasons. Mr. Trybuchowski served as the Company's Chief Operating Officer.

On March 1, 2017 AmRest Holdings SE announced the completion of the assets sale and transfer agreement (the “APA”) between AmRest and Kentucky Fried Chicken (Great Britain) Ltd., German Branch. As a result of the Completion AmRest acquired 15 KFC restaurants operating in the German market. The purchase price amounted to EUR 10.28 million (ca. PLN 44.15 million). All the approvals and conditions the Completion was contingent upon in accordance with the APA have been obtained and fulfilled.

On March 15, 2017 the Management Board of AmRest Holdings SE informed about signing the Binding Head of Terms (“HoT”) determining the key terms and conditions on, and subject to which, KFC France SAS (“KFC France”) would be willing to proceed with a potential transaction with AmRest, whereby AmRest would buy 42 equity restaurants run by KFC France in the French market, and the parties would sign a Development Agreement and Standard KFC International Franchise Agreement for each restaurant. The purchase price is subject to the results of a due diligence to be carried out by AmRest. It is the intention of AmRest and KFC France that the final agreements shall be signed no later than April 30, 2017, and closing of the transaction, including transfer of ownership of KFC Business and payment of the purchase price shall occur no later than June 30, 2017. If the parties fail to sign the final agreements by August 1, 2017 the HoT shall terminate immediately, unless otherwise agreed in writing by both parties.

Signatures of Board Members

Drew O'Malley
AmRest Holdings SE
Board Member

Mark Chandler
AmRest Holdings SE
Board Member

Wojciech Mroczyński
AmRest Holdings SE
Board Member

Oksana Staniszewska
AmRest Holdings SE
Board Member

Olgierd Danielewicz
AmRest Holdings SE
Board Member

Wrocław, March 16, 2017

En Madrid, a 14 de noviembre de 2018

Muy Sres. nuestros:

Los informes de auditoría de la sociedad AmRest Holdings SE (la "**Sociedad**") correspondientes a los estados financieros individuales y consolidados de la Sociedad del ejercicio finalizado a 31 de diciembre 2016 incluidos anteriormente son la traducción al inglés de los originales preparados en polaco. Se hace constar que en la traducción al inglés de dichos documentos no consta la firma de los auditores de la Sociedad. No obstante lo anterior, los informes originales preparados en polaco y firmados por los auditores de la Sociedad pueden consultarse en la página web de la Sociedad a través de los siguientes enlaces:

- https://www.amrest.eu/pl/inwestorzy/raporty-okresowe/jednostkowy-roczny-raport-finansowy-amrest-za-rok-2016
- https://www.amrest.eu/pl/inwestorzy/raporty-okresowe/skonsolidowany-roczny-raport-finansowy-amrest-za-rok-2016

Atentamente,

AmRest Holdings SE

P.p.

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D. Jaime Tarrero Martos

Vicesecretario del Consejo de Administración