AmRest Holdings, S.E. and subsidiaries

Consolidated Annual Accounts

31 December 2018

Consolidated Directors' Report

2018

(With Independent Auditor's Report Thereon)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

To the shareholders of AmRest Holdings, S.E.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of AmRest Holdings, S.E. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated annual statement of financial position at 31 December 2018, and the consolidated annual income statement, consolidated annual statement of comprehensive income, consolidated annual statement of changes in equity and consolidated annual statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable amount of non-current assets subject to amortisation or depreciation See notes 6, 14 and 15 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2018, the Group has recognised property, plant and equipment and intangible assets with a finite useful life amounting to Euros 501 million and Euros 81 million, respectively, as well as goodwill and trademarks, both with an indefinite useful life, in amounts of Euros 369 million and Euros 160 million, respectively, which have been allocated to the pertinent cash-generating units (CGUs) or groups of CGEs. For the purposes of evaluating impairment, each establishment constitutes a cash-generating unit. In this regard, intangible assets (primarily trademarks) and goodwill have been allocated to a significant portion of the CGUs. There is a risk that the carrying amount of the CGUs may exceed their recoverable amount in those establishments or groups of establishments that have seen a decline in the number of customers. Factors such as investments in fixed assets in each establishment, competition or promotional and marketing activities affect the number of customers. The Group calculates the recoverable amount of goodwill and trademarks with an indefinite useful life and tests property, plant and equipment and intangible assets with a finite useful life for indications of impairment at least on an annual basis, for the purpose of determining their recoverable amount. These recoverable amounts are calculated by applying valuation techniques which require the exercising of judgement by the Directors and Management and the use of estimates. Due to the high level of judgement, the uncertainty associated with these estimates and the significance of the carrying amount of the non-current assets, this has been considered a key audit matter.	Our audit procedures included the following: – Assessing the design and implementation of key controls related to the process of estimating the recoverable amount of goodwill, trademarks with an indefinite useful life and other non-current assets with a finite useful life. – Assessing the criteria used by the Directors and Group Management when identifying indications of impairment in property, plant and equipment and intangible assets with a finite useful life, other than goodwill and trademarks which have an indefinite useful life. – Assessing the methodology and assumptions used to estimate the recoverable amount, by determining the higher of value in use and fair value less costs to sell, based on discounted cash flows at cash-generating unit level, with the involvement of our valuation specialists. – Comparing the cash flow forecasts estimated in prior years with the actual cash flows obtained. – Contrasting the information contained in the model used to calculate the recoverable amount with the Group's business plans approved by management. – Analysing the sensitivity of the estimated recoverable amount to changes in the relevant assumptions and judgements, such as the discount rate, the business assumptions and the expected future growth rate in perpetuity. – We also assessed whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

Business combinations See note 6 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
In 2018, the Group concluded its purchase price allocation for the different business combinations described in note 6 to the accompanying consolidated annual accounts. These transactions were established as business combinations pursuant to IFRS 3. Moreover, on 31 October 2018 the Group acquired the business of the Sushi Shop Group from an unrelated third party. As a result of this transaction and in accordance with the applicable financial reporting framework, the Group has recognised goodwill amounting to Euros 149 million, calculated as the difference between the fair values of the assets and liabilities acquired and the price paid in the business combination. The accounting of this transaction was complex and required the application of value judgements in identifying and determining the fair value of the assets and liabilities acquired. This and all the other transactions conducted in 2018 have been recognised provisionally. We consider that these transactions are a key audit matter due to their significance, the inherent judgement involved in making fair value estimates, and the impact on the consolidated annual accounts.	Our audit procedures included analysing a sample of acquisitions made during the year in terms of quantitative and qualitative factors. The sample selected encompassed the acquisitions having the greatest impact on the Group's financial results, and those involving the highest level of value judgements. For each acquisition: – we queried the main methods and assumptions used by the Group to identify the assets and liabilities acquired and determine their fair values. We discussed these with the Group and corroborated the explanations given, comparing these assumptions with market data, our previous experience of similar transactions and the Group's business plan that supports the acquisition; – where available, we contrasted the amounts recognised with supporting documentation or correspondence from external sources; – we analysed the appropriateness of the recognition of the significant fair value adjustments in subsequent periods by reference to the standard on accounting for acquisitions, as well as the presentation and disclosure of material adjustments to the financial statements and the analysis of the impact of restating the opening balances for 2017 at the annual deadline for recognising business combinations; and – we analysed the appropriateness of the disclosure of these transactions in the consolidated annual accounts.

Tax inspections relating to value added tax See note 12 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
The subsidiary AmRest Sp. z o.o. is currently undergoing several tax inspections, which are at different stages, in relation to value added tax for 2012 to 2018. The identification and evaluation of these tax risks requires significant judgements by the Directors in relation to, inter alia, determining the forecast outcome of the inspections and their quantification for the purpose of recognition and disclosure in the consolidated annual accounts, where applicable, in accordance with the requirements of the financial reporting framework applicable to the entity. Due to the judgement inherent in assessing these different matters, the uncertainty associated with the estimates relating to the ongoing tax proceedings, and their potential impact on the consolidated annual accounts, this has been considered a key audit matter of the current period.	Our audit procedures included evaluating and discussing with the Company the process of measuring the probability of success in these cases and the extent of the potential loss, reviewing the legal documentation used by the Directors and analysing the conclusions reached. Furthermore: - We obtained confirmation from the Company's tax advisor, and the corresponding documentation from the auditor of the Company's component, regarding the expert's conclusions. - We assessed the risk and the factors influencing the possible recognition of a provision for the aforementioned lawsuits based on the financial reporting framework applicable to the entity. - Moreover, we consulted the specialists of the component's auditor to complete our assessment of the arguments put forward by the entity and its advisors regarding the legal proceedings. - We also evaluated whether the information disclosed in the notes to the consolidated annual accounts in this regard is appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the entity.

Other information: Consolidated Directors' Report

Other information solely comprises the 2018 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility as regards the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to the consolidated non-financial information statement, as well as certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the consolidated directors' report, or where applicable, that the consolidated directors' report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information referred to in a) above has been provided in the consolidated directors' report, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2018, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 28 February 2019.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 6 June 2018 for a period of three years, from the year ended 31 December 2018.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

Carlos Peregrina García
On the Spanish Official Register of Auditors ("ROAC") with No. 15.765

28 February 2019

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

KPMG AUDITORES, S.L.

Año 2019 Nº 01/19/01648
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Consolidated Annual Financial Statements for the year ended 31 December 2018

AmRest Holdings SE

27 February 2019

AmRest

AmRest

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(all figures in EUR millions unless stated otherwise)

Consolidated annual income statement for the year ended 31 December 2018

	Note	year ended 31 December 2018	31 December 2017 (restated*)
Continuing operations			
Restaurant sales		1 460.6	1 162.3
Franchise and other sales		86.3	75.6
Total revenue	5,7	**1 546.9**	**1 237.9**
Restaurant expenses:			
Food and merchandise		(416.8)	(338.5)
Payroll, social security and employee benefits		(375.1)	(282.1)
Royalties		(74.6)	(59.4)
Occupancy and other operating expenses		(433.4)	(353.9)
Franchise and other expenses		(62.3)	(50.3)
General and administrative expenses		(115.1)	(91.1)
Total operating costs and losses	8	**(1 477.3)**	**(1 175.3)**
Net impairment losses on financial assets	8, 20	(1.5)	(1.9)
Net impairment losses on other assets	5, 8,13	(8.0)	(5.9)
Other operating income/expenses	9	11.5	7.9
Profit from operations		**71.6**	**62.7**
Finance income	10	2.7	0.8
Finance costs	11	(16.8)	(14.0)
Profit before tax		**57.5**	**49.5**
Income tax	12	(16.2)	(6.8)
Profit for the period		**41.3**	**42.7**
Attributable to:			
Shareholders of the parent		43.0	42.9
Non-controlling interests		(1.7)	(0.2)
Profit for the period		**41.3**	**42.7**
Basic earnings per ordinary share in EUR	34	0.20	0.20
Diluted earnings per ordinary share in EUR	34	0.20	0.20

**The restatement was described in note 41 to the Consolidated Annual Financial Statements for 2018.*
Notes 1- 43 are an integral part of these consolidated financial statements.

(all figures in EUR millions unless stated otherwise)

Consolidated annual statement of comprehensive income for the year ended 31 December 2018

	Note	year ended 31 December 2018	31 December 2017 (*restated**)
Profit for the period		**41.3**	**42.7**
Other comprehensive income	23		
Exchange differences on translation of foreign operations		(9.5)	(16.9)
Net investment hedges		(4.2)	12.1
Income tax related to net investment hedges		0.9	(2.3)
Total items that may be reclassified to the income statement		(12.8)	(7.1)
Other comprehensive income/(loss) for the period		**(12.8)**	**(7.1)**
Total comprehensive income for the period		**28.5**	**35.6**
Attributable to:			
Shareholders of the parent		30.4	38.2
Non-controlling interests		(1.9)	(2.6)

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(all figures in EUR millions unless stated otherwise)

Consolidated annual statement of financial position at 31 December 2018

	Note	31 December 2018	31 December 2017 (*restated**)	1 January 2017 (*restated**)
Assets				
Property, plant and equipment	13	500.9	406.0	304.7
Goodwill	6,15	368.7	215.1	176.1
Intangible assets	14	240.8	148.9	139.6
Investment properties	16	5.2	5.3	5.0
Financial assets measured at fair value	17	26.9	-	-
Other non-current assets	18	26.4	22.9	14.2
Investment in associates		-	-	0.2
Deferred tax assets	12	22.1	16.7	10.2
Total non-current assets		**1 191.0**	**814.9**	**650.0**
Inventories	19	25.7	22.4	18.6
Trade and other receivables	20,37	61.9	38.7	22.5
Corporate income tax receivables		8.0	1.0	2.9
Other current assets	21	36.3	29.1	23.3
Cash and cash equivalents	22	118.4	131.2	66.1
Total current assets		**250.3**	**222.4**	**133.4**
Total assets		**1 441.3**	**1 037.3**	**783.4**
Equity				
Share capital		22.0	0.2	0.2
Reserves		206.1	152.3	162.7
Retained earnings		231.5	190.8	147.9
Translation reserve		(38.9)	(29.6)	(15.1)
Equity attributable to shareholders of the parent		**420.7**	**313.7**	**295.7**
Non-controlling interests	23	9.9	8.9	16.2
Total equity	23	**430.6**	**322.6**	**311.9**
Liabilities				
Interest-bearing loans and borrowings	26,37	655.8	433.8	235.3
Finance lease liabilities	32	1.8	1.7	1.8
Employee benefits liability	28	1.7	3.0	4.5
Provisions	29	14.8	10.3	9.6
Deferred tax liability	12	46.2	27.3	26.7
Other non-current liabilities	30	25.1	5.9	1.9
Total non-current liabilities		**745.4**	**482.0**	**279.8**
Interest-bearing loans and borrowings	26,37	6.0	37.8	50.6
Finance lease liabilities	32	0.6	0.4	0.4
Trade and other accounts payable	31	246.9	188.7	138.9
Corporate income tax liabilities		11.8	5.8	1.8
Total current liabilities		**265.3**	**232.7**	**191.7**
Total liabilities		**1 010.7**	**714.7**	**471.5**
Total equity and liabilities		**1 441.3**	**1 037.3**	**783.4**

**The restatement was described in note 41 to the Consolidated Annual Financial Statements for 2018.*
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(all figures in EUR millions unless stated otherwise)

Consolidated annual statement of cash flows for the year ended 31 December 2018

	Note	year ended 31 December 2018	31 December 2017 *(restated)*
Cash flows from operating activities			
Profit before tax from continued operations		57.5	49.5
Adjustments for:			
Amortisation		11.8	9.9
Depreciation		80.3	67.8
Net interest expense		11.7	10.1
Foreign exchange result		0.9	0.8
Result on disposal of property, plant and equipment and intangibles		(2.7)	1.0
Impairment of non-financial assets		8.0	5.9
Share-based payments		6.7	5.1
Other		(1.9)	1.3
Working capital changes:	22		
Change in trade and other receivables		(6.0)	(13.8)
Change in inventories		(1.9)	(2.4)
Change in other assets		(5.0)	(10.2)
Change in payables and other liabilities		19.8	33.9
Change in provisions and employee benefits		0.5	(5.5)
Income tax paid		(15.9)	(3.8)
Net cash from operating activities		**163.8**	**149.6**
Cash flows from investing activities			
Net cash outflows on acquisition	6	(246.5)	(93.3)
Purchase of financial assets measured at fair value		(25.0)	-
Proceeds from the sale of property, plant and equipment, and intangible assets		12.0	0.6
Purchase of property, plant and equipment		(151.0)	(124.0)
Purchase of intangible assets		(10.5)	(13.4)
Net cash used in investing activities		**(421.0)**	**(230.1)**
Cash flows from financing activities			
Proceeds from share transfers (employees options)		0.8	1.0
Repurchase of treasury shares	23	(9.5)	(18.7)
Payments on settlement of employee stock options in cash		(0.6)	(1.0)
Proceeds from shares issued net of transaction cost		69.0	-
Proceeds from loans and borrowings	26	282.7	436.3
Repayment of loans and borrowings	26	(90.0)	(256.4)
Interest paid	26	(13.8)	(8.3)
Interest received		0.8	0.8
Dividends paid to non-controlling interest owners		-	(0.9)
Transactions with non-controlling interest		2.1	(13.4)
Proceeds/(repayment) of finance lease payables		0.4	(0.1)
Net cash from financing activities		**241.9**	**139.3**
Net change in cash and cash equivalents		**(15.3)**	**58.8**
Effect of foreign exchange rate movements		2.5	6.3
Balance sheet change of cash and cash equivalents		(12.8)	65.1
Cash and cash equivalents, beginning of period		131.2	66.1
Cash and cash equivalents, end of period	22	**118.4**	**131.2**

**The restatement was described in note 41 to the Consolidated Annual Financial Statements for 2018.*
Notes 1- 43 are an integral part of these consolidated financial statements.

(all figures in EUR millions unless stated otherwise)

Consolidated annual statement of changes in equity for the year ended 31 December 2018

		Attributable to the shareholders of the parent						
		Share capital	Reserves	Retained earnings	Translation reserve	**Total**	Non-controlling interest	**Total equity**
As at 1 January 2018 *(restated*)*		**0.2**	**152.3**	**190.8**	**(29.6)**	**313.7**	**8.9**	**322.6**
Adjustment on initial application of IFRS 15	40	-	-	(2.3)	-	**(2.3)**	-	**(2.3)**
Adjusted balance at 1 January 2018 *(restated*)*		**0.2**	**152.3**	**188.5**	**(29.6)**	**311.4**	**8.9**	**320.3**
Profit for the period		-	-	43.0	-	**43.0**	(1.7)	**41.3**
Other comprehensive income		-	(3.3)	-	(9.3)	**(12.6)**	(0.2)	**(12.8)**
Total comprehensive income		**-**	**(3.3)**	**43.0**	**(9.3)**	**30.4**	**(1.9)**	**28.5**
Non-controlling interest arising on business combinations		-	-	-	-	**-**	0.8	**0.8**
Transaction with non-controlling interests		-	-	-	-	**-**	2.1	**2.1**
Total transactions with non-controlling interests	23	**-**	**-**	**-**	**-**	**-**	**2.9**	**2.9**
Share capital increase from share premium		21.0	(21.0)	-	-	**-**	-	**-**
Issue of share capital		0.8	69.2	-	-	**70.0**	-	**70.0**
Transaction costs on issue of share capital		-	(1.0)	-	-	**(1.0)**	-	**(1.0)**
Deferred payment in shares	23	-	13.0	-	-	**13.0**	-	**13.0**
Purchases of treasury shares		-	(9.5)	-	-	**(9.5)**	-	**(9.5)**
Share based payments	23	-	6.4	-	-	**6.4**	-	**6.4**
Total distributions and contributions		**21.8**	**57.1**	**-**	**-**	**78.9**	**-**	**78.9**
As at 31 December 2018		**22.0**	**206.1**	**231.5**	**(38.9)**	**420.7**	**9.9**	**430.6**

		Attributable to the shareholders of the parent						
		Share capital	Reserves	Retained earnings	Translation reserve	**Total**	Non-controlling interest	**Total equity**
As at 1 January 2017 *(restated*)*		**0.2**	**162.7**	**147.9**	**(15.1)**	**295.7**	**16.2**	**311.9**
Net profit for the period		-	-	42.9		**42.9**	(0.2)	**42.7**
Other comprehensive income		-	9.8	-	(14.5)	**(4.7)**	(2.4)	**(7.1)**
Total comprehensive Income		**-**	**9.8**	**42.9**	**(14.5)**	**38.2**	**(2.6)**	**35.6**
Non-controlling interest arising on business combinations		-	-	-	-	**-**	2.5	**2.5**
Transaction with non-controlling interests		-	(7.0)	-	-	**(7.0)**	(7.2)	**(14.2)**
Total transactions with non-controlling interests	23	**-**	**(7.0)**	**-**	**-**	**(7.0)**	**(4.7)**	**(11.7)**
Purchases of treasury shares		-	(18.7)	-	-	**(18.7)**	-	**(18.7)**
Share based payments	23	-	5.5	-	-	**5.5**	-	**5.5**
Total distributions and contributions		**-**	**(13.2)**	**-**	**-**	**(13.2)**	**-**	**(13.2)**
As at 31 December 2017		**0.2**	**152.3**	**190.8**	**(29.6)**	**313.7**	**8.9**	**322.6**

**The restatement was described in note 41 to the Consolidated Annual Financial Statements for 2018.*
Notes 1- 43 are an integral part of these consolidated financial statements.

Notes to the Consolidated Annual Financial Statements

1. General information on the Group

AmRest Holdings SE ("The Company", "AmRest") was incorporated in the Netherlands in October 2000. On 19 September 2008 the Commercial Chamber in Amsterdam registered the change in the legal status of the Company to a European Company (Societas Europaea, SE) and of its name to AmRest Holdings SE. Since March 2018 the Company's registered office has been Enrique Granados 6, 28224 Pozuelo de Alarcón (Madrid), Spain. Previously, the Company had a registered office in Wroclaw, Poland.

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

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

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

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

In 2018 the Group acquired the Bacoa and Sushi Shop brands, as a result of which it operates own and franchise restaurants in Spain (Bacoa) and own and franchise restaurants in France, Germany, Spain, Belgium, Italy, Switzerland, Luxemburg, UK, UAE, Saudi Arabia and Iran (Sushi Shop). Bacoa is a Spanish premium burger chain, and Sushi Shop is the operator of the leading European chain of Japanese cuisine restaurants comprising of 171 shops of which about one third are run by franchisees.

As at 31 December 2018 the Group operates 2 126 restaurants (own and franchise).

(all figures in EUR millions unless stated otherwise)

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

Activity where AmRest is a franchisee					
Brand	**KFC**	**Pizza Hut Dine-In**	**Pizza Hut Express, Delivery**	**Burger King**	**Starbucks 1)**
Franchisor/ Partner	KFC Europe Sarl (US Branch)	PH Europe Sarl (US Branch)	PH Europe Sarl (US Branch)	Burger King Europe GmbH	Starbucks Coffee International, Inc/Starbucks EMEA Ltd., Starbucks Manufacturing EMEA B.V.
Area covered by the agreement	Poland, Czechia, Hungary, Bulgaria, Serbia, Croatia, Russia, Spain, Germany, France, Austria, Slovenia	Poland	Poland, Czechia, Hungary, France, Russia, Germany, Slovakia. Possibility of opening in: Bulgaria, Serbia, Croatia, Slovenia	Poland, Czechia, Bulgaria, Slovakia. Possibility of opening in Romania	Poland, Czechia, Hungary, Romania, Bulgaria, Germany, Slovakia. Possibility of opening in Serbia
Term of agreement	10 years with possibility of extension for a further 10 years	10 years with possibility of extension for a further 10 years	10 years with possibility of extension for a further 10 years and 5 years	Poland, Czechia, Bulgaria – 20 years or 10 years 4) Since 20 November 2018: 10 years for restaurants opened during the agreed development period.	15 years, possibility of extension for a further 5 years; in Romania till 10 October 2023 16 years, in Bulgaria till 1 October 2027 20 years
Preliminary fee	up to USD 51.2 thousand 2)	up to USD 51.2 thousand 2)	USD 25.6 thousand 2)	USD 50 thousand or USD 25 thousand, in Czechia USD 60 thousand 4) Since 20 November 2018: USD 30 thousand for restaurants opened during the agreed development period.	USD 25 thousand
Franchise fee	6% of sales revenues 3)	6% of sales revenues 3)	6% of sales revenues 3)	5% of sales revenues, in Czechia (for 5 restaurants) 3% of sales revenues for first 5 years, then 5% Since 20 November 2018 for restaurants opened during the agreed development period: 3,5% of revenues in first 2 years growing to 4%, 4,5% and 5% in next years.	6% of sales revenues
Marketing costs	5% of sales revenues	5% of sales revenues	6% of sales revenues to 31 December 2021; 5% of sales revenues from 1 January 2022 to 31 December 2026 3)	5% of sales revenues, in Czechia 3% of sales revenues for first 3 years, then 5%. Since 20 November 2018 for restaurants opened during the agreed development period 4% or 5% of sales revenues (depending on the country) and 3% for flagships.	amount agreed each year

(all figures in EUR millions unless stated otherwise)

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

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

1) AmRest Group took up 82% and Starbucks 18% of the share capital of the newly-established companies in Poland, Czechia and Hungary. Starting from the ninth year Starbucks has an unconditional option of increasing 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 Group assessment as at the day of this report issuance, there are no indicators making the mentioned above options realizable. The Group acquired 100% of shares in Romanian and Bulgarian entities, being the sole operators in these markets. In Germany the Group acquired 100% of shares in a key operator in this market.

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

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

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

5) The Board of Directors resolved not to be present in Iran and stopped collecting royalties from that franchisee while AmRest's exit of Iran is executed.

(all figures in EUR millions unless stated otherwise)

2. Group Structure

As at 31 December 2018, the Group comprised the following subsidiaries:

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Ltd.	Birkirkara, Malta	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.U.	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
AmRest China Group PTE Ltd	Singapore	AmRest Holdings SE	100.00%	December 2012
Bigsky Hospitality Group Ltd	Hong Kong, China	AmRest China Group PTE Ltd	100.00%	December 2012
New Precision Ltd	Apia, Samoa	AmRest China Group PTE Ltd	100.00%	December 2012
Horizon Group Consultants	Road Town, British Virgin Islands	AmRest China Group PTE Ltd	100.00%	December 2012
AmRest Management Kft	Budapest, Hungary	AmRest Kft AmRest Capital Zrt	99.00% 1.00%	August 2018
GM Invest SRL	Uccle, Belgium	AmRest Capital Zrt	100.00%	October 2018
Sushi Shop Group SAS	Paris, France	GM Invest SRL AmRest Capital Zrt	9.47% 90.53%	October 2018
AmRest France SAS	Paris, France	AmRest Holding SE	100.00%	December 2018
Sushi Shop Management SAS	Paris, France	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Belgique SA	Bruxelles, Belgium	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Holding USA LLC	Dover Kent, USA	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Luxembourg SARL	Luxembourg	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Switzerland SA	Fribourg, Switzerland	Sushi Shop Management SAS	100.00%	October 2018
		Restaurant, franchise and master-franchise activity		
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czechia	AmRest Holdings SE	100.00%	December 2000
AmRest Kft***	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	June 2006
AmRest Coffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o. Starbucks Coffee International,Inc.	82.00% 18.00%	March 2007
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o.o.	44.72% 55.28%	July 2007
AmRest Coffee s.r.o.	Prague, Czechia	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.	Belgrade, Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00% 40.00%	October 2007
Restauravia Food S.L.U.	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Service S.L.U.****	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011
AmRest GmbH i.L.*	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	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 Coffee 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
AmRest Coffee Deutschland Sp. z o.o. & Co. KG	Munich, Germany	AmRest Kaffee Sp. z o.o. AmRest Capital Zrt	77.00% 23.00%	May 2016

(all figures in EUR millions unless stated otherwise)

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
AmRest DE Sp. z o.o. & Co. KG	Berlin, Germany	AmRest Kaffee Sp. z o.o.	100.00%	December 2016
The Grill Concept S.L.U.	Madrid, Spain	Pastificio Service S.L.U.	100.00%	December 2016
Kai Fu Restaurant Management (Shanghai) Co., Ltd	Shanghai, China	Blue Frog Food&Beverage Management Ltd	100.00%	December 2016
LTP La Tagliatella Portugal, Lda	Lisbon, Portugal	AmRest TAG S.L.U. AmRestavia S.L.U.	74.00% 26.00%	February 2017
AmRest AT GmbH	Vienna, Austria	AmRest Sp. z o.o.	100.00%	March 2017
AmRest Topco France SAS	Paris, France	AmRest France SAS	100.00%	May 2017
AmRest Delco France SAS	Paris, France	AmRest Topco France SAS	100.00%	May 2017
AmRest Opco SAS	Paris, France	AmRest France SAS	100.00%	July 2017
OOO Chicken Yug	Saint Petersburg, Russia	OOO AmRest	100.00%	October 2017
OOO Pizza Company	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Ltd. OOO AmRest	99.9% 0.1%	November 2017
AmRest Coffee SRB d.o.o.	Belgrade, Serbia	AmRest Holdings SE	100.00%	November 2017
AmRest Chamnord SAS	Paris, France	AmRest Opco SAS	100.00%	March 2018
AmRest SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o. AmRest Sp. z o.o.	99.00% 1.00%	April 2018
AmRest Pizza GmbH	Berlin, Germany	AmRest DE Sp. z o.o. & Co. KG	100.00%	June 2018
Black Rice S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100,00%	July 2018
Bacoa Holding S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100,00%	July 2018
Versaillies Resto SAS*****	Paris, France	AmRest Opco SAS	100,00%	November 2018
Sushi Shop Restauration SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Orphus SARL	Paris, France	Sushi Shop Management SAS Eloise CAZAL	85.00% 15.00%	October 2018
Sushiga SARL	Paris France	Sushi Shop Management SAS Emmanuel GARFIN	50.00% 50.00%	October 2018
Altana SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Tomemma SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Antibes Developpement SAS	Paris, France	Sushi Shop Group SAS Sushi Shop Management SAS	60.00% 40.00%	October 2018
Sushi Courbevoie Developpement SARL	Paris, France	Sushi Shop Group SAS	100.00%	October 2018
Sushi Nice Developpement SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Lepic SARL	Paris, France	Sushi Shop Martyrs SARL	100.00%	October 2018
Sushi Shop Levallois SARL	Paris, France	Sushi Shop Courcelles SARL	100.00%	October 2018
Sushi Shop Martyrs SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Secretan SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop ST Dominique SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Villers SARL	Paris, France	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Vincennes SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Corner SAS	Paris, France	Sushi Shop Restauration SAS	100.00%	October 2018
Sushi Shop Corner M SARL	Paris, France	Sushi Shop Restauration SAS	100.00%	October 2018
Art Sushi Marseille SAS	Marseille, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Vieux Lille SAS	Lille, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Lille Centre SAS	Lille, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Toulouse Developpement SARL	Paris France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Amiens SARL	Amiens, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Traiteur SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
SSC – Sushi Shop Cauderan SAS	Bordeaux, France	Sushi Shop Management SAS	100.00%	October 2018
SSBC – Sushi Shop Bordeaux Chartrons SAS	Bordeaux, France	Sushi Shop Management SAS	100.00%	October 2018
SSB Sushi Shop Bordeaux SAS	Bordeaux, France	Sushi Shop Management SAS	100.00%	October 2018
SSM – Sushi Shop Merignac SAS	Bordeaux France	Sushi Shop Management SAS	100.00%	October 2018
AIX Sushi House SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
ART Sushi ST Barnabe SARL	Marseille, France	Art Sushi Marseille SAS	100.00%	October 2018
ART Sushi Delibes SARL	Marseille, France	Art Sushi Marseille SAS	100.00%	October 2018
Sushi Marseille Developpement SARL	Marseille, France	Art Sushi Marseille SAS	100.00%	October 2018
Zen'itude SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Courcelles SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018

(all figures in EUR millions unless stated otherwise)

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
Sushi Nantes SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Gelau SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Bottega Romana Courcelles SARL	Paris, France	Sushi Shop Restauration SAS	100.00%	October 2018
Bottega Romana Boetie SARL	Paris, France	Sushi Shop Restauration SAS	100.00%	October 2018
Sushi Grand Ouest SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Rouen SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Toulouse 3 SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Angers SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Sushi Shop La Rochelle SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Sushi Shop Le Mans SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Sushi Shop Tours SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Sushi Shop Caen SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Black Box SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Bontor SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
RCP SARL	Paris, France	Black Box SAS	100.00%	October 2018
Sauboget SARL	Paris, France	Black Box SAS	100.00%	October 2018
HP2L SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Nice 2 SARL	Paris, France	Sushi Nice Developpement SAS	100.00%	October 2018
CR Developpement SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi 54 SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi 21 SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Rennes Nemours SARL	Paris, France	HP2L SAS	100.00%	October 2018
Sushi Corner Saint Gregoire SARL	Paris, France	HP2L SAS	100.00%	October 2018
Sushi Lyon 64 SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
SSW 1 SPRL	Waterloo, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
SSW 2 SPRL	Wavre, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi House SA	Luxembourg	Midicapital Sushi Shop Luxembourg SARL	14.00% 86.00%	October 2018
Sushi Sablon SA	Bruxelles, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop London LTD	London, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Louise SA	Bruxelles, Belgium	Sushi Shop Belgique SA Midicapital	54,80% 45,20%	October 2018
Sushi Shop UK LTD	Charing, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Uccle SA	Uccle, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop Anvers SA	Bruxelles, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop Geneve SA	Geneva, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Lausanne SARL	Lasanne, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Madrid S.L.	Madrid, Spain	Sushi Shop Management SAS Carlos Santin	63.00% 37.00%	October 2018
Sushi Shop Milan SRL	Milan, Italy	Sushi Shop Management SAS Vanray SRL	70.00% 30.00%	October 2018
Sushi Shop NE USA LLC	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop NY1	New York, USA	Sushi Shop Holding USA LLC Sushi Shop NE USA LLC	64.00% 36.00%	October 2018
Sushi Shop NY2	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop International SA	Bruxelles, Belgium	Sushi Shop Belgique SA Sushi Shop Group SAS	99.90% 0.10%	October 2018
Sushi Shop Zurich GMBH	Zurich, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Nyon SARL	Nyon, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop NL B.V.	Amsterdam, Netherlands	Sushi Shop Group SAS	100.00%	October 2018
		Financial services and others for the Group		
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
AmRest Capital 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

(all figures in EUR millions unless stated otherwise)

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
AmRest Kaffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2016
Restaurant Partner Polska Sp. z o.o.	Łódź, Poland	AmRest Holdings SE	51.00%	August 2017
		Delivery Hero SE	49.00%	
AmRest Estate SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
AmRest Leasing SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
OOO RusCo Food	Saint Petersburg, Russia	AmRest Management Kft	100.00%	August 2018
AmRest Trademark Kft	Budapest, Hungary	AmRest Management Kft	100.00%	September 2018
AmRest Franchise Sp. z o.o.	Wrocław, Poland	AmRest Sp. z o.o.	99,00%	December 2018
		Michał Lewandowski	1.00%	
Supply services for restaurants operated by the Group				
SCM Czech s.r.o.	Prague, Czechia	SCM Sp. z o.o.	90.00%	March 2007
		Ondrej Razga	10.00%	
SCM Sp. z o.o.	Warsaw, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		R&D Sp. z o.o.	43.80%	
		Beata Szafarczyk-Cylny	5.00%	
		Zbigniew Cylny	0.20%	
SCM Due Sp. z o.o.	Warsaw, Poland	SCM Sp. z o.o.	100.00%	October 2014

** On 25 November 2016 Amrestavia, S.L.U., the sole shareholder of AmRest GmbH, decided to liquidate this company. The liquidation process has not been finished up until the date of this Report.*
*** On 5 September 2017 Amrestavia, S.L.U., the sole shareholder of La Tagliatella Financing Kft, decided to liquidate this company. The liquidation process has not been finished up until the date of this Report.*
**** On 11 September 2018 the Company Registry Court registered the merger between AmRest Kft and AmRest Finance Zrt. The effective merger date is 31 October 2018, whereupon AmRest Finance Zrt ceased to exist, the Company Registry Court deleted it from the companies register and its rights and obligations were transferred transfer to AmRest Kft as successor company.*
*****On 1 October 2018, Pastificio S.L.U. and Pastificio Restaurantes S.L.U. were merged into Pastificio Service S.L.U.*
******On 27 November 2018, AmRest Opco SAS the sole shareholder of Versaillies Resto SAS, has decided to merger this company. The effective merger date is 1 January 2019.*

3. Basis of preparation

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

These consolidated financial statements were authorised for issue by the Company's Board of Directors on 27 February 2019.

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

Details of the Group's accounting policies are included in note 40.

The consolidated financial statements provide comparative information in respect of the previous period. Explanations regarding restatements of comparative information are disclosed in note 41 and results from:

- Application of new standards, amendments to standards and interpretations,
- Changes in accounting policies and disclosures,
- Finalization of accounting for prior years business combinations.

In 2018 Group's presentation currency has changed from PLN to EUR. An additional statement of financial position as at 1 January 2017 is presented in these consolidated financial statements due to the retrospective application of the above accounting policy.

Application of IFRS 16 is expected to have a material impact on the Group. Disclosures on the estimated impact of IFRS 16 on the Group's financial statements as at 1 January 2019 are disclosed in note 42.

4. Use of judgements and estimates

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

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

Judgements

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

Leases- determination whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. All facts and circumstances are taken into consideration, including substance of the transactions, lease term, extension option, discount rate to be applied, fair value of leased item and useful life of asset. Leases of premises where the restaurants are being operated are classified as operating leases, consequently, costs of rental are recognised in the income statement.

IFRS 16, applied since 1 January 2019, changes the accounting for leases. Disclosures on the estimated impact of IFRS 16 on the Group's financial statements as at 1 January 2019 are disclosed in note 42.

Revenue from contracts with customers

The Group applies judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers that relates to identification of the performance obligations and principal versus agent considerations, as well as allocation of the transaction price to the performance obligations in franchise activities (own brands and master-franchise agreements). Details are described in note 40.

Estimates and assumptions

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

Impairment of non-financial assets including goodwill

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

Accounting policies for impairment testing of non-financial assets are disclosed in note 40k.

The key assumptions used to determine the recoverable amount of the different CGUs, including a sensitivity analysis, are disclosed and further explained in notes 13, 14 and note 15.

Assessment of useful lives

Determination and periodic verification of depreciation rates is made on the basis of the technical abilities of a given asset, together with planned form and intensity of usage, with simultaneous consideration of experience and legal obligations influencing usage of the given asset. Sensitivity on changes in average useful lives is disclosed in note 13.

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

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 37.

Share-based payments

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

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

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a finite difference method. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 28.

Recognition of provisions for potential tax obligations

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

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

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

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

Details of current tax inspections open in Group entities are presented in note 12.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Details of deferred tax assets are disclosed in note 12.

Fair value measurements

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

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

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

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

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

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

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

- Note 6 – Business combinations,
- Note 17 – Financial assets measured at fair value.

5. Segment reporting

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

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

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

(all figures in EUR millions unless stated otherwise)

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

** own and franchise restaurants based in France*

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

Segment measures and the reconciliation to profit/loss from operations for the year ended 31 December 2018 and for the comparative year ended 31 December 2017 is presented below:

2018	**CEE**	**Western Europe**	**Russia**	**China**	**Other**	**Total**
Revenue from external customers	717.6	569.8	168.6	73.6	17.3	1 546.9
Inter-segment revenue	-	-	-	-	-	-
Segment revenue	**717.6**	**569.8**	**168.6**	**73.6**	**17.3**	**1 546.9**
EBITDA	**104.5**	**57.6**	**21.7**	**7.1**	**(17.7)**	**173.2**
Depreciation (note 13)	41.7	23.8	9.8	4.7	0.3	80.3
Amortisation (note 14)	5.4	5.0	0.7	0.3	0.4	11.8
Net impairment losses on financial assets	-	1.5	-	-	-	1.5
Net impairment losses on other assets	2.3	4.5	0.8	0.4	-	8.0
Profit/loss from operations	**55.1**	**22.8**	**10.4**	**1.7**	**(18.4)**	**71.6**
Capital investment*	**87.7**	**191.4**	**22.2**	**9.0**	**0.5**	**310.8**

(all figures in EUR millions unless stated otherwise)

2017 (*restated*)	CEE	Western Europe	Russia	China	Other	Total
Revenue from external customers	619.2	400.4	142.4	62.3	13.6	1 237.9
Inter-segment revenue	-	-	-	-	-	-
Segment revenue	**619.2**	**400.4**	**142.4**	**62.3**	**13.6**	**1 237.9**
EBITDA	**92.6**	**46.5**	**16.8**	**5.9**	**(13.6)**	**148.2**
Depreciation (note 13)	36.4	18.4	8.3	4.5	0.2	67.8
Amortisation (note 14)	4.8	4.1	0.5	0.3	0.2	9.9
Net impairment losses on financial assets	0.1	1.8	-	-	-	1.9
Net impairment losses on other assets	0.0	3.3	1.3	1.3	-	5.9
Profit/loss from operations	**51.3**	**18.9**	**6.7**	**(0.2)**	**(14.0)**	**62.7**
Capital investment*	**76.6**	**92.8**	**21.4**	**6.3**	**2.1**	**199.2**

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

Information on geographical areas:

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

		2018	2017
Revenue from external customers	Poland	409.4	370.2
	Czechia	169.6	139.0
	Spain	244.8	217.3
	France	147.7	25.7
	Germany	170.4	157.0
		31 December 2018	**31 December 2017**
Total of non-current assets other than financial instruments and deferred tax assets	Poland	165.19	155.77
	Czechia	47.15	39.66
	Spain	268.63	257.11
	France	350.58	62.23
	Germany	89.68	80.91

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

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

6. Business combinations

Acquisition of Sushi Shop Group

Description of the acquisition

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

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

Sushi Shop is the operator of the leading European chain of Japanese cuisine restaurants comprising 165 shops of which about one third are run by franchisees. Upscale Sushi Shop shops are present in France (72% of the entire business) and in 11 other countries (including Spain, Belgium, Great Britain, Germany, Switzerland, Italy). The Group's business model is based mainly on the "delivery" (55% of sales) and "take-away" (32% of sales) channels.

(all figures in EUR millions unless stated otherwise)

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

The Group acquired 100% of the shares in GM Invest, which was one of the direct shareholders of Sushi Shop Group SAS, together with the remaining shares in Shushi Shop Group SAS from Sellers. As a result, AmRest Group holds 100% of the shares in Sushi Shop Group SAS. Sushi Shop Group SAS is the parent company of over 81 subsidiaries, with minor non-controlling interests in certain entities. GM Invest and Sushi Shop Group SAS capital group are referred to jointly as Sushi Shop Group (SSG).

Provisional acquisition price determination

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

On the closing date AmRest paid approx. EUR 133.5 million for shares and EUR 78.1 million in the form of repayment of external SSG debts. As a result of the verification of the balances of assets and liabilities on the closing date, as agreed in the SPA on 10 January 2019, AmRest submitted a calculation of purchase price adjustment to the Sellers.

Based on the submitted calculation, the purchase price should be reduced by EUR 10.3 million.

In February 2019, the Group received notice from the Sellers' Agents with objections to the proposed price. AmRest sent it response on 20 February 2019 proposing to decrease the initially proposed price adjustment by EUR 0.7 million. If parties will not agree, then as agreed in the SPA, an external expert will be appointed to determine the purchase price adjustment.

The provisional acquisition price used for the purpose of the acquisition accounting in these consolidated financial statements takes into account the initially proposed adjustment as submitted by AmRest Group. Should the final purchase price adjustment be determined differently by an external expert, the final purchase price accounting will be adjusted and restated before the one year window period.

Acquisition price includes also the fair value of deferred payments. It was agreed in the SPA that EUR 18.0 million is deferred for transfer to the Seller for two years after closing. Consequently, the discounted value of EUR 17.0 million was accounted for as the deferred payment element of the acquisition price in these consolidated financial statements.

In the SPA parties also agreed that part of the acquisition price, an equivalent of EUR 13.0 million is to be paid to Mr. Grégory Marciano and Mr. Adrien de Schompré in the AmRest's shares in July 2019. The consideration is to be settled in fixed number of shares (approx. 1.4 million shares). The number of shares was determined as at 31 October 2018 and is fixed. This is an equity instrument and consequently was recognised as an equity item.

The acquisition price as agreed in the SPA also included a contingent consideration element in the form of an earn-out. The parties agreed that if 2018 EBITDA exceeded a certain level, the Sellers would receive an additional payment, up to EUR 10.0 million to the acquisition price. As the agreed threshold was not met, the contingent consideration element is deemed to be zero for the acquisition price determination.

Summary of acquisition price determination:

Amount paid in cash on closing	211.6
Reimbursement claimed on purchase price	(10.3)
Deferred payment in cash accounted as liability	17.0
Deferred payment in shares accounted as equity (note 23)	13.0
Total acquisition price	**231.3**

Provisional allocation of acquisition price

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 the risks and balances of assets and liabilities acquired. The purchase price allocation result below is provisional.

In particular, the Group has not finalised the process of assessing the fair value of acquired items of property, plant and equipment, and the values presented in these consolidated financial statements are based on the net book values from the local financial statements.

Within the provision allocation of the acquisition price process, the Group has recognised the ”Sushi Shop” brand at EUR 92 million. This valuation is internal and provisional and will be subject to further verification.

Sushi Shop brand’s value has been determined using the income approach (relief from royalty). The Group believes that prospective financial information used as a valuation input reflects the income that could hypothetically be achieved by a typical market participant by owning the brand. Key assumptions for the applied relief-from-royalty method include royalty income of 5.4% of all restaurants’ sales reduced by the costs required to maintain the brand and support the royalty stream. The useful life of the brand had been preliminarily assessed to be indefinite – respective terminal value has been estimated using a 1.65% perpetual growth rate. The after-tax cash flows and terminal value have been discounted using the market discount rate, increased by a 3p.p. premium reflecting the intangible assets’ liquidity risk.

No other intangible assets have been recognised yet, however, the Group has not closed the process of identifying and valuing other intangible assets potentially acquired.

The fair value of acquired trade and other receivables is EUR 17.9 million. The gross contractual amount for receivables due is EUR 21.0 million, of which EUR 3.1 is expected to be uncollectible.

Deferred taxes were recognised on major adjustments to the fair values and are subject to further verification. The Group is also verifying the values of provisions, accruals and contingent liabilities.

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

The Group expects that provisional values may be amended when the purchase price allocation process is completed.

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

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

Sushi Shop Group	**Fair value EUR million**
Property, plant and equipment	16.0
Trademark	92.0
Other non-current assets	1.5
Inventories	1.3
Trade and other receivables	17.9
Cash and cash equivalents	8.1
Other current assets	1.4
Total assets	138.2
Provisions	3.0
Deferred tax liabilities	19.5
Trade payables	10.4
Other current liabilities	22.1
Total liabilities	55.0
Net assets acquired	**83.2**
Acquisition price	231.3
Non-controlling interest within SSG	0.8
Less net assets acquired and liabilities assumed	(83.2)
Goodwill	**148.9**

(all figures in EUR millions unless stated otherwise)

Cash flows related to acquisition are as follows:

Amount paid in cash on closing	211.6
Acquired cash and cash equivalents	8.1
Cash outflows on acquisition	**203.5**

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

Allocation of provisional goodwill to groups of cash generating units where goodwill-related synergies will be realised, has been not yet finalized. The Group considers that there were no indicators of impairment.

Impact on the consolidated income statements

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

If the acquisition had taken place at the beginning of the year, estimated consolidated revenues would have been higher by EUR 126.5 million and net profit of the Group would have been lower by EUR 0.3 million. These estimates are based on historical consolidated financial data of SSG prepared according to local accounting standards, normalized for finance costs charge, as interest paid and accounted for by SSG was significantly higher than average in AmRest Group. Finance costs for the purpose of the above disclosure were decreased to reflect the average costs of interest as in AmRest Group.

Entrance into KFC French restaurant market

Description of the acquisition

In October 2017 the Group started a process of acquisition of 42 KFC restaurants operating in the French market from KFC France SAS. The total agreed price for the acquired restaurant business was set at EUR 40 million. The initial price included the purchase price of EUR 2.2 million for land and leasehold improvements of EUR 0.7 million, which were finally not acquired, and also due to legal reasons (pre-emptive rights) two restaurants (purchase price of EUR 2 million) were excluded from final acquisition. As a result of the above, the total purchase price dropped to EUR 35.1 million.

Moreover, during the fourth quarter of 2017 and the first quarter of 2018, the Group acquired from Yum 5 more KFC restaurants in the French market for a total of EUR 10.5 million.

Control over particular restaurants was obtained on various dates between October 2017 and July 2018. The full process in the vast majority was conducted in the last quarter of 2017, with a total of 4 restaurants taken over in the first half of 2018. For each restaurant, the Group started to consolidate its results since the date of control. For the purpose of accounting and disclosure, the financial data for all 45 stores were aggregated, and this note presents the impact of the KFC acquisition in the French market on the Group's balance sheet and reported results. Through the transaction, AmRest has become the largest franchise partner of KFC in France.

KFC restaurants in France are operated within AmRest Opco SAS and two of its subsidiaries: AmRest Leasing SAS and AmRest Estate SAS. One restaurant has been acquired by the purchase of the shares of AmRest Chamnord SAS, a company which has also become a subsidiary of AmRest Opco SAS.

Allocation of the acquisition price

In the fourth quarter of 2018, the Group finalized the process of identifying the liabilities and assets portfolio of the acquired KFC France restaurants.

The final purchase price allocation settlement includes the acquisition of 39 restaurants structured legally as an asset deal, the acquisition of Chamnord restaurant structured legally as a share deal, and the acquisition of 5 additional KFC restaurants performed at the same time and from the same seller (Yum).

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

AmRest Opco SAS group	Fair value EUR million
Cash and cash equivalents	0.3
Property, plant and equipment	35.9
Intangible assets	1.9
Inventories	0.7
Deferred tax asset	2.5
Asset related to right to compensation resulting from the acquisition agreement	3.5
Employee related accruals	(3.5)
Payables	(0.3)
Provisions	(1.0)
Net assets acquired	**40.0**
Acquisition price	47.5
Less net assets acquired and liabilities assumed	(40.0)
Goodwill	**7.5**

Cash flows related to the acquisition are as follows:

Amount paid in cash	47.5
Acquired cash and cash equivalents	0.3
Cash outflows on acquisition	**47.2**
Including cash outflows in 2018	5.0

The acquisition process was prolonged over time and caused restatement of the financial data presented in the consolidated annual financial statements for the year ended 31 December 2017, for stores that were acquired up until the end of 2017. Details of the restatement have been described in note 41 of these Consolidated Annual Financial Statements.

A qualified and well-known French external expert was appointed to carry out the fair valuation of restaurants assets taken over in the context of an acquisition process. As a result of the acquisition, based on the valuation performed, the Group has acquired land amounting to EUR 11.2 million, leasehold improvements amounting to EUR 12.3 million, and machinery and other tangible assets amounting to EUR 12.4 million.

Within the transaction, a transfer of employees also took place. Employee-related accruals, such as holiday pay accrual and any potential bonuses were accounted for with the corresponding recognition of receivables from the seller (YUM receivable), as transfer of those accruals is subject to reimbursement from the seller. Employee-related accrual recognised in an amount of EUR 3.5 million, equal to the asset related to the right to compensation, was repaid by Yum as at the date of these Consolidated Financial Statements. In addition, provision for the estimated costs of bringing the location to the condition it was in before the lease agreement was signed was recognised, amounting to EUR 1 million.

A deferred tax asset amounting to EUR 2.5 million was also recognised for temporary differences between tax and accounting values.

Apart from the purchase price paid as stated above, the Group covered initial fees for all new stores, which were added to the purchase price. Initial fee payments for the granting of franchise rights and use of the KFC trademark amounted to EUR 1.9 million and have been recognised on the balance sheet as an intangible asset on the acquisition date.

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

Due to the fact that from a legal perspective the purchase of 44 restaurants was structured as an asset deal, and the purchase of one restaurant as a share deal, no material payables have been acquired.

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

Impact on the consolidated income statements

The acquisition cost of EUR 1.8 million has been recognised as other operating expenses. The high level of acquisition-related costs results from the obligatory registration and notary fees paid.

For all stores taken over in 2017: If the above described acquisition of KFC French restaurants had happened at 1 January 2017, estimated consolidated revenues in the Consolidated Financial Statements would have been higher by EUR 86.6 million and net profit would have decreased by EUR 0.4 million. These estimates are based on historical data of KFC France restaurants according to US GAAP.

For all stores taken over in 2018: If the above described acquisition of KFC French restaurants had happened at 1 January 2018, estimated consolidated revenues in the Consolidated Financial Statements would have been higher by EUR 2.2 million with no impact on net profit. These estimates are based on actual post-acquisition results of restaurants, adjusted by KFC France brand expected seasonality indicators to show the estimated impact on results in 2018, before acquisition.

Further expansion to the KFC French restaurant market

Description of the acquisition

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

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

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

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

Provisional allocation of the acquisition price

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 risks and assets portfolio.

The Group has not finalized the process of identification and fair valuation of acquired assets and liabilities, therefore, the purchase price allocation results below are provisional. In particular, the Group is verifying and confirming the fair values of acquired property plant and equipment as well as intangible assets, provisions and deferred taxes. Within the transaction, a transfer of employees also took place. Employee-related accruals, such as holiday pay accrual and any potential bonuses were provisionally accounted for with the corresponding recognition of receivables from the seller, as transfer of those accruals is subject to reimbursement from the seller. The valuation of accruals is still being verified.

The Group expects that provisional values may be amended when the purchase price allocation process is completed.

From a legal perspective, the purchase of 14 restaurants was structured as an asset deal and the purchase of one restaurant as a share deal, therefore no material payables have been acquired.

The Group has acquired property, plant and equipment totaling EUR 22.2 million, intangible assets totaling EUR 0.6 million, inventories and cash totaling EUR 0.3 million, other assets totaling EUR 0.6 million and other payables totaling EUR 0.5 million.

A deferred tax asset amounting to EUR 2.8 million was also recognised for temporary differences between tax and accounting values.

As a result, goodwill of EUR 8.4 million was recognised.

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

AmRest Opco SAS group	**Fair value EUR million**
Cash and cash equivalents	0.1
Property, plant and equipment	22.2
Intangible assets	0.6
Inventories	0.2
Deferred tax asset	2.8
Asset related to right to compensation resulting from the acquisition agreement	0.8
Employee related accruals	(0.8)
Deposit and prepaid rent and other assets	0.6
Payables	(0.5)
Net assets acquired	**26**
Acquisition price	34.4
Less net assets acquired and liabilities assumed	(26)
Goodwill	**8.4**

Cash flows related to acquisition are as follows:

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

Impact on the consolidated income statements

If the above described acquisition of KFC French restaurants had happened at 1 January 2018, estimated consolidated revenues in the Consolidated Financial Statements would have been higher by EUR 30.2 million and net profit would have increased by EUR 0.6 million. These estimates are based on the actual results of restaurants, adjusted by KFC France brand expected seasonality indicators to show the estimated impact on results in 2018, before acquisition.

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

Acquisition of Pizza Hut restaurants in Russia

Description of the acquisition

On 30 April 2018 AmRest signed assets sale and purchase agreement between AmRest and Pizza Hut Europe S.à.r.l. Under the terms of the APA, AmRest acquires the operating assets of 16 PH restaurants in the Russian market. On 1 June 2018 the transaction was completed. Additionally, operating processes were taken over as agreed with the seller: AmRest Group re-signed employee contracts and re-signed all important operating contracts (supply chain, lease agreements and others). Consequently, the Group obtained control over the respective PH businesses, and OOO Pizza Company became the operator of 16 PH restaurants.

Within the transaction, the master franchise agreement was also signed, under which AmRest becomes the exclusive master-franchisee and has the right of granting the license to third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise) in Russia, Azerbaijan and Armenia. Furthermore, the Group became the franchisor for 29 restaurants operated by multiple independent sub-franchisees in the abovementioned countries.

The acquisition price amounted to EUR 0.3 million (RUB 18.7 million).

Allocation of the acquisition price

Details of the established fair values of the acquired net assets and liabilities assumed, and acquisition price as at the acquisition date are presented below:

OOO Pizza Company	Fair value RUB million	Fair value EUR million
Property, plant and equipment	76.9	1.1
Intangible assets	27.2	0.4
Other non-current assets	110.9	1.5
Other current assets and inventories	47.3	0.7
Deferred tax liabilities	(19.3)	(0.3)
Payables towards seller	(142.6)	(2.0)
Loyalty program deferred revenues	(5.0)	(0.1)
Net assets acquired	**95.4**	**1.3**
Acquisition price	18.7	0.3
Less net assets acquired and liabilities assumed	(95.4)	(1.3)
Gain on a bargain purchase	**(76.7)**	**(1.0)**

Cash flows related to the acquisition are as follows:

Amount paid in cash	18.7	0.3
Acquired cash and cash equivalents	-	-
Cash outflows on acquisition	**18.7**	**0.3**

The purchase price of EUR 0.3 million represents the total amounts paid and payable to seller with regards to the purchase of tangible assets, intangible assets, inventories, reimbursements for deposits and others, less the value of royalty rebates agreed.

Preliminary purchase price accounting as presented in the interim Consolidated Financial Statements for the 6 months ended 30 June 2018 was adjusted for deferred tax liabilities (increase of EUR 0.2 million) and verification of loyalty program deferred revenues (decrease of EUR 0.7 million)

The Group has reassessed components of the computation to ensure that the measurements are based on all available information as of the acquisition date to ensure that it has correctly identified all of the assets acquired and all of the liabilities assumed.

The final gain on a bargain purchase of EUR 1.0 million is recognised in other operating income.

Recognition of gain on a bargain purchase is connected with the withdrawal of Yum from operating own PH stores in the Russian market. As a result of the transaction, Yum transferred all its owned stores to AmRest, and AmRest became a Master Franchisee for the PH brand in Russia.

Impact on the consolidated income statements

As the acquisition of PH Russia business occurred on 1 June 2018, the results of acquired assets for the first five months of 2018 have not been reported in these Consolidated Financial Statements. If the acquisition described above had happened at 1 January 2018, estimated consolidated revenues for the 12 months ended 31 December 2018 would be higher by EUR 2.7 million and net profit would be lower by EUR 0.7 million. The above data are based on non-audited internal reporting packages prepared based on Russian accounting standards by the previous owner.

Acquisition costs of EUR 0.1 million related to the transaction have been recognised as general and administrative expenses.

Acquisition of a Spanish premium burger chain (BACOA)

Description of the acquisition

On 16 July 2018 AmRest signed the Binding Offer aimed at acquiring the Spanish premium burger chain BACOA.

On 31 July 2018 the definitive Share Purchase Agreement (SPA) between AmRest Tag and Bloom Motion, S.L and Mr. Johann Spielthenner as Seller was signed and AmRest Tag acquired 100% of the share capital of the company BACOA Holding and Black Rice, S.L. As a result, AmRest acquired a restaurant chain consisting of 6 burger restaurants under the BACOA brand in Spain (2 equity and 4 franchised located in Barcelona and Madrid).

Control was obtained on 31 July 2018. The purchase price amounted to approximately EUR 3.9 million, of which EUR 0.4 million is payment of the pending portion of the Purchase Price, provided that if at that moment there is any claim outstanding, the amount of the claim will be held back until the claim is determined. This holdback amount will be paid 50% on the first anniversary and the remaining 50% on the second anniversary of the date of the agreement.

Provisional allocation of the acquisition price

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 risks and balances of assets and liabilities acquired. The purchase price allocation results below are provisional.

In particular, the Group has not finalised the process of assessing the fair value of acquired property plant and equipment, intangible assets inventories, trade and other receivables and payables.

Within the provision allocation of the acquisition price process, the Group has recognised the "Bacoa" brand at EUR 2.5 million. This valuation is internal and provisional and will be subject to further verification.

Bacoa brand's value has been determined using the income approach. The Group believes that prospective financial information used as a valuation input reflects the income that could hypothetically be achieved by a typical market participant by owning the brand. Key assumptions for the applied relief-from-royalty method include royalty income of 5% of all restaurants' sales, reduced by the costs required to maintain the brand and support the royalty stream. The useful life of the brand had been preliminarily assessed to be indefinite – the respective terminal value has been estimated using a 1.6% perpetual growth rate. The after-tax cash flows and terminal value have been discounted using the market discount rate, increased by a 5 p.p. premium reflecting the intangible assets liquidity risk.

Deferred taxes were recognised on major adjustments to the fair values and are subject to further verification. The Group is also verifying the values of provisions, accruals and contingent liabilities.

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

Bacoa Holdings S.L. and Bacoa Black Rice S.L.	**Fair value EUR million**
Cash and cash equivalents	0.2
Property, plant and equipment	0.5
Intangible assets	2.6
Other non-current assets	0.3
Trade and other receivables	0.1
Inventories	0.1
Other current assets	0.3
Deferred tax liabilities	(0.6)
Payables	(0.2)
Corporate income tax liabilities	(0.1)
Other liabilities	(0.5)
Net assets acquired	**2.7**
Acquisition price	3.9
Less net assets acquired and liabilities assumed	(2.7)
Goodwill	**1.2**

Cash flows related to acquisition are as follows:

Amount paid in cash	3.5
Acquired cash and cash equivalents	0.2
Cash outflows on acquisition	**3.3**

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

(all figures in EUR millions unless stated otherwise)

Allocation of provisional goodwill to groups of cash generating units where goodwill related synergies will be realised, has been not yet finalized. The Group believes that there were no indicators of impairment.

Impact on the consolidated income statements

Acquisition costs of EUR 0.1 million have been recognised as general and administrative expense, and in operating cash flows in the statement of cash flows.

If the combination had taken place at the beginning of the year, estimated consolidated revenues would have been higher by EUR 1.8 million and net profit of the Group would have been higher by EUR 0.1 million. These estimates are based on non-audited internal reporting packages prepared based on Spanish-GAAP by the previous owner.

7. Revenues

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

- Restaurant sales,
- Franchise and other sales.

This is reflected in the format of Group's consolidated income statement. Additional disaggregation by geographical market is included in the note 5.

Restaurant sales

Restaurant revenues are the most significant source of revenues representing over 90% of total revenues.

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

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

Franchise and other sales

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

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

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

8. Operating costs and losses

Analysis of operating expenses by nature:

	year ended	
	31 December 2018	**31 December 2017** (*restated*)
Depreciation (note 13)	80.3	67.8
Amortisation (note 14)	11.8	9.9
Food, merchandise and other materials	476.8	393.0
Utilities	60.8	47.9
External services - marketing	68.2	49.6
External services – other	65.3	53.5

(all figures in EUR millions unless stated otherwise)

	year ended	
	31 December 2018	**31 December 2017** *(restated)*
Payroll	375.9	281.7
Social security and employee benefits	92.0	69.7
Operating leases (occupancy cost) (note 33)	143.4	120.9
Royalties	77.0	59.4
Insurance	1.1	0.9
Business travel	10.7	7.5
Other	16.7	12.5
Total cost by nature	**1 480.0**	**1 174.3**
Loss/(gain) from fixed assets disposal (note 13)	(2.7)	1.0
Total operating costs and losses	**1 477.3**	**1 175.3**

Summary of operating expenses by functions:

	year ended	
	31 December 2018	**31 December 2017** *(restated)*
Restaurant expenses	1 299.9	1 033.9
Franchise and other expenses	62.3	50.3
Total cost of sales	**1 362.2**	**1 084.2**
General and administrative expenses	115.1	91.1
Total operating costs and losses	**1 477.3**	**1 175.3**

Details of impairments losses recognised:

		year ended	
	Note	**31 December 2018**	**31 December 2017** *(restated)*
Impairment on trade receivables		1.5	1.9
Net impairment losses on financial assets		**1.5**	**1.9**
Impairment of property, plant and equipment	13	7.1	4.6
Impairment of intangible assets	14	0.9	1.3
Net impairment losses of other assets		**8.0**	**5.9**
Total net impairment losses of assets		**9.5**	**7.8**

9. Other operating income/expenses

	year ended	
	31 December 2018	**31 December 2017** *(restated)*
Proceed received on prior years tax claims	2.5	-
Insurance gains	1.7	-
Supply chain services	4.6	2.2
Gain on bargain purchase	1.0	-
Compensation received for the early termination of rental contracts	-	1.6
PFRON (State Fund for the Rehabilitation of the Disabled) Income	-	0.9
Income from recycling	0.1	0.8
Income on terminated pre-paid cards	-	0.7
Sublease income	0.4	0.5
Reversal of cost accruals	1.4	1.8
Compensations received	-	0.1
Other income	1.6	1.0
Registration and notary costs related to the acquisition in France	(1.8)	(1.7)
	11.5	**7.9**

(all figures in EUR millions unless stated otherwise)

10. Finance income

	year ended 31 December 2018	31 December 2017 (*restated*)
Income from bank interest	0.8	0.8
Fair value measurement of FVTPL (note 17)	1.9	-
	2.7	**0.8**

11. Finance costs

	year ended 31 December 2018	31 December 2017 (*restated*)
Interest expense	(12.6)	(10.9)
Arrangement fee	(1.8)	(0.9)
Net cost from foreign exchange differences	(0.9)	(0.8)
Other	(1.5)	(1.4)
	(16.8)	**(14.0)**

12. Taxes

Income taxes

	year ended 31 December 2018	31 December 2017 (*restated*)
Current tax	(17.9)	(12.0)
Deferred income tax recognised in the income statement	1.7	5.2
Income tax recognised in the income statement	**(16.2)**	**(6.8)**
Deferred tax asset		
Opening balance	16.7	10.2
Closing balance	22.1	16.7
Deferred tax liability		
Opening balance	27.3	26.7
Closing balance	46.2	27.3
Change in deferred tax assets/liabilities	**(13.5)**	**5.9**
of which:		
Deferred taxes recognised in the income statement	1.7	5.2
Deferred taxes recognised in goodwill (note 6)	(17.4)	(2.7)
Deferred taxes recognised in other comprehensive income – net investment hedges	(0.9)	2.3
Deferred taxes recognised in equity -valuation of employee options	1.4	(0.6)
Foreign exchange differences	1.7	1.7

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

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

(all figures in EUR millions unless stated otherwise)

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

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

	year ended	
	31 December 2018	31 December 2017 (*restated*)
Profit before tax	**57.5**	**49.5**
Income tax calculated according to domestic tax rates applicable to income in particular countries*	9.0	7.7
Effect of permanent non-tax-deductible differences	2.6	(1.1)
Utilization of tax losses not recognised in prior periods	(0.3)	(0.3)
Tax loss for the current period for which no deferred tax asset was recognised	3.6	0.6
Effect of the remaining differences	1.3	(0.1)
Corporate income tax in the income statement	**16.2**	**6.8**

**The applicable weighted average tax rate amounted to 15.7% (for the period ended 31 December 2017: 15.6%).*

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

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

	Asset		Liability	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Property, plant and equipment and intangible assets	10.6	6.5	50.7	31.7
Provisions, liability and impairments	5.0	8.0	-	0.3
Tax losses carried forward	10.3	7.5	-	-
Other differences	2.6	2.6	1.9	3.2
	28.5	**24.6**	**52.6**	**35.2**
The offset of tax	**(6.4)**	**(7.9)**	**(6.4)**	**(7.9)**
	22.1	**16.7**	**46.2**	**27.3**

As at 31 December 2018 Group has the following tax losses:

Year of expiry of tax loss carryforwards	Value of tax losses	Tax losses in respect of which deferred tax assets were recognised	Tax losses in respect of which no deferred tax assets were recognised
2019	1.9	0.2	1.7
2020	0.8	0.3	0.5
2021	0.6	-	0.6
2022	2.1	-	2.1
2023	5.6	-	5.6
2024	0.7	-	0.7
2025	0.3	-	0.3
2027	0.4	-	0.4
No time limit	78.0	33.2	44.8
	90.4	**33.7**	**56.7**

(all figures in EUR millions unless stated otherwise)

Deferred taxes were not recognised for the following tax losses:

	year ended	
	31 December 2018	**31 December 2017** (*restated*)
Poland	6.5	11.4
Hungary	5.7	5.9
France	18.7	10.7
Germany	20.5	17.3
Croatia	0.6	0.6
China	0.2	-
Bulgaria	1.3	1.8
Serbia	0.1	-
Slovenia	0.1	0.1
Romania	0.3	0.1
Austria	0.6	-
Russia	1.1	0.7
Portugal	1.0	-
	56.7	**48.6**

As at 31 December 2018 the Group recognised a deferred tax asset from tax losses in an amount of EUR 10.3 million. 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 the tax returns (if they have not already been controlled) of Group companies from 3 to 5 years as of the date of their filing.

Tax related risks description

Tax inspections in AmRest Sp. z o.o.

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

   On 7 August 2018 the Company received the final decision issued by the Tax Administration Chamber which confirmed that VAT settlements were in accordance with the individual tax ruling obtained by the Company and no tax liability should arise.

   Additionally, in August 2018 the Company received cash resulting from a corrective VAT return submitted in 2016 (with respective interest).

   On 18 February 2019 the Company received the information from the Tax Administration Chamber that the proceedings aimed at annulment of the final decision issued by Tax Administration Chamber has been opened due to the severe breach of law done by the Chamber in the decision.

   At the moment of publication of this Report the decision related to the annulment of the final decision has not been issued.

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

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

   On 16 October 2017 the Company submitted an appeal to the second instance (Tax Administration Chamber) referring to the above described decision. As a result of the decision issued on 17 January

2018 by the Tax Administration Chamber which revoked the decision of first instance and submitted it for further examination, another decision was issued by the Head, which the Company appealed on 15 June 2018.

On 8 February 2019 the Company received the final decision issued by Tax Administration Chamber which confirmed the decision of the first instance. Due to the fact that the decision is enforceable the Company has calculated and paid the value of approx. PLN 15.2 million (approx. EUR 3.5 million) as a tax liability and value of approx. PLN 6.1 million (approx.1.4 million) as interest. Total payment of EUR 4.9 (PLN 21.3 million) million was recognised as asset (receivables from tax authorities) in February 2019. The Company does not agree with the decision received and it is planned to file the complaint within the time limit.

c. On 28 September 2016 a tax inspection began in AmRest Sp. z o.o. on VAT returns for 2012. On 11 September 2017 the Company received a decision issued by the Head of the Lesser Poland Customs and the Tax Office in Cracow ("Head"), which questioned the correctness of the output VAT settlement on a part of operational sales revenues. The Head claimed in his decision underestimated output VAT amounting to PLN 18.5 million (EUR 4.2 million).

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

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

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

On 8 February 2019 the Company received the final decision issued by Tax Administration Chamber which confirmed the decision of the first instance. However due to the fact that the decision is enforceable the Company has calculated and paid the value of approx. PLN 16.8 million (approx. EUR 3.9 million) as a tax liability and value of approx. PLN 8.7 million (approx. EUR 2.0 million) as interest. Total payment of EUR 5.9 million (PLN 25.5 million) was recognised as asset (receivables from tax authorities) in February 2019. The Company does not agree with the decision received and it is planned to file/has filed the complaint within the time limit.

d. On 3 November 2016 a tax inspection began in AmRest Sp. z o.o. regarding VAT returns for August and September 2016.

On 14 September 2017 the Company received the decision issued by the Head of the Lower Silesia Tax Office ("Head"), which questioned the correctness of the output VAT settlement for a part of operational sales revenues. The Head claimed in his decision that the amount of tax difference to be refunded was exceeded by PLN 3.9 million (EUR 0.9 million) and the amount to be carried over for August was exceeded by PLN 0.6 million (EUR 0.1 million) and for September by PLN 1.1 million (EUR 0.3 million).

On 7 August 2018 the Company received the final decision issued by the Tax Administration Chamber which confirmed that VAT settlements were in accordance with the individual tax ruling obtained by the Company and no tax liability should arise. Consequently, the tax proceedings are concluded.

Additionally, in August 2018 the Company received from the tax office cash payments for VAT receivables related to the described VAT settlements (with respective interest).

e. On 24 March 2017 a tax inspection began at AmRest Sp. z o.o. regarding VAT returns for December 2016.

On 17 October 2018 the Company received the decision issued by the Head of the Lower Silesia Tax Office which confirmed that VAT settlements were in accordance with the individual tax ruling obtained by the Company and no tax liability should arise. Consequently, the tax proceedings are concluded.

Additionally, in August 2018 the Company received cash payments for VAT receivables related to the described VAT settlements (with respective interest).

f. On 24 May 2016 a tax inspection began in AmRest Sp. z o.o. regarding VAT returns for March 2016.

   On 20 August 2018 the Company received the decision issued by the Head of the Lower Silesia Tax and Customs Office which confirmed that VAT settlements were in accordance with the individual tax ruling obtained by the Company and no tax liability should arise. Consequently, the tax proceedings are concluded.

g. On 11 October 2016 a tax inspection at AmRest Sp. z o.o. began regarding VAT returns for the period January – July 2017.

   On 14 November 2018 the Company received the decision issued by the Head of the Lower Silesia Tax Office which confirmed that VAT settlements were in accordance with the individual tax ruling obtained by the Company and no tax liability should arise in this respect. Consequently, the tax proceedings are concluded.

h. On 1 February 2018 a tax inspection began at AmRest Sp. z o.o. regarding VAT returns for the period August – November 2017.

   On 16 November 2018 the Company received the decision issued by the Head of the Lower Silesia Tax Office which confirmed that VAT settlements were in accordance with the individual tax ruling obtained by the Company and no tax liability should arise in this respect. Consequently, the tax proceedings are concluded.

i. On 30 July 2018 a tax inspection began at AmRest Sp. z o.o. regarding VAT returns for the period December 2017 – March 2018.

   On 29 August 2018 the Company received the tax protocol and on 12 September 2018 the Company submitted its reservations.

   Despite the lack of a final decision from the tax office, in August 2018 Company received from the tax office cash payments for VAT receivables related to the described VAT settlements (with respective interest). At the moment of publication of this Report the decision has not been issued and the inspection has not been concluded.

j. On 12 December 2018 a tax inspection started at AmRest sp. z o.o. regarding VAT returns for the period April – September 2018. As at the date of publication of this Report, the inspection has not concluded.

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

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

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

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

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

It should be noted that in the first two decisions issued by the Tax Administration Chamber (described in points (a) and (d) above) and in the decisions issued by the Head of the Lower Silesia Tax and Customs Office (described in points (e), (f) and (g) above) - it was confirmed that the individual tax ruling issued by the Minister of Finance to the Company should have protective power and there is no basis for raising any additional tax assessments. However the recent decisions of Tax Administration Chamber in respect to VAT settlements for the periods January-December 2012 and January-September 2013 (described in points (b) and (c) respectively) are stating otherwise.

As described above, in August 2018 the Company received from the tax office cash payments relating to VAT tax receivables. In total, the Company received over EUR 10 million in cash in settlement of the VAT tax receivables presented in the consolidated financial statements in prior periods.

The Group analyzed the risk as regards ongoing tax inspections related to VAT and assessed the risk as less than 50% some conclusions have been taken considering external tax advisors. In reference to IAS 37, point 14 of the Board of Directors' opinion states there is no legal obligation and any cash outflows require a higher probability of the risk materializing. Therefore, the Group decided that as at 31 December 2018 and as at the date of publication of these Consolidate Annual Financial Statements, there are no obligating events, so there are no grounds for booking the provisions for the aforementioned risk.

k. On 23 February 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2016. On 6 November 2018 the Company received the result of the tax audit which concluded the inspection. Tax proceedings has not been initiated yet, therefore no decision has been issued.

l. On 26 November 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2013. As at the date of publication of this Report the inspection has not concluded.

m. On 26 November 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2014. As at the date of publication of this Report the inspection has not concluded.

Tax inspections in other Group companies

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

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

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

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

c. On 26 June 2017 AmRest Topco France SAS received a letter from the tax office notifying a tax inspection regarding tax settlements for 2014 and 2015 and in respect of VAT returns submitted until 30 December 2016. On 21 September 2017 the Company was informed about the extension of the inspection by including the verification of the books for the period ended 30 November 2016. On 11 July 2018 the Company received a tax notification letter for which the relevant response was submitted within the deadline in September 2018. The tax auditor sent his answer on 24 September 2018. On 19 October 2018 the Company replied to the tax auditor requesting a hierarchical administrative appeal. The Company has received confirmation that the matter will be subject to the proceedings before the regional audit commission (second instance), but as at the date of publication of this Report, the date of the commission has not been determined yet.

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

e. On 16 November 2017 a tax inspection began at AmRest Holdings SE regarding CIT for 2012. On 12 February 2018 the Company received a tax inspection result regarding the tax inspection, based on which the Company submitted a corrective tax return on 22 February 2018 increasing taxable income. The corrected amount was immaterial.

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

g. On 1 November 2017 a tax inspection began at AmRest DE Sp. z o.o. & Co. KG regarding VAT returns for August 2017. No material irregularities were noted during this tax inspection.

h. On 10 January 2019 a tax inspection at AmRest SAS began regarding settlements for the period 1 January 2016 to 31 December 2016. The estimated duration of the tax inspection is 6 months. As at the date of publication of this Report, the inspection has not concluded.

In Group's opinion, there are no other contingent liabilities concerning pending audits and tax proceedings, other than those stated above.

(all figures in EUR millions unless stated otherwise)

13. Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2018 and 2017:

2018	**Land**	**Buildings and expenditure on development of restaurants**	**Machinery & equipment**	**Vehicles**	**Other tangible assets**	**Assets under construction**	**Total**
Gross value							
As at 1 January 2018	**16.3**	**432.1**	**235.7**	**2.0**	**47.9**	**40.9**	**774.9**
Acquisition	7.3	6.7	28.1	0.7	0.2	0.3	43.3
Additions	-	85.3	54.3	0.4	17.9	3.6	161.5
Disposals	(8.8)	(5.4)	(6.5)	(0.6)	(1.4)	(0.2)	(22.9)
Foreign exchange differences	(0.3)	(12.2)	(6.8)	(0.1)	(1.5)	(1.4)	(22.3)
As at 31 December 2018	**14.5**	**506.5**	**304.8**	**2.4**	**63.1**	**43.2**	**934.5**
Accumulated depreciation							
As at 1 January 2018	**-**	**187.1**	**120.4**	**1.0**	**24.7**	**-**	**333.2**
Additions	-	38.1	31.2	0.6	10.4	-	80.3
Disposals	-	(4.0)	(5.5)	(0.5)	(1.1)	-	(11.1)
Foreign exchange differences	-	(5.4)	(3.7)	-	(0.8)	-	(9.9)
As at 31 December 2018	**-**	**215.8**	**142.4**	**1.1**	**33.2**	**-**	**392.5**
Impairment write-downs							
As at 1 January 2018	**0.1**	**25.9**	**7.1**	**-**	**0.9**	**1.7**	**35.7**
Additions	-	6.5	0.4	-	0.2	-	7.1
Disposals	-	(1.1)	(0.7)	-	-	0.2	(1.6)
Foreign exchange differences	-	(0.3)	-	-	0.2	-	(0.1)
As at 31 December 2018	**0.1**	**31.0**	**6.8**	**-**	**1.3**	**1.9**	**41.1**
Net book value							
As at 1 January 2018	**16.2**	**219.1**	**108.2**	**1.0**	**22.3**	**39.2**	**406.0**
As at 31 December 2018	**14.4**	**259.7**	**155.6**	**1.3**	**28.6**	**41.3**	**500.9**

2017 (restated)	**Land**	**Buildings and expenditure on development of restaurants**	**Machinery & equipment**	**Vehicles**	**Other tangible assets**	**Assets under construction**	**Total**
As at 1 January 2017	**5.2**	**349.2**	**185.0**	**1.8**	**39.7**	**21.7**	**602.6**
Acquisition	11.3	18.2	15.5	-	0.2	-	45.2
Additions	-	60.6	39.2	0.5	9.3	19.7	129.3
Disposals	-	(1.2)	(8.0)	(0.3)	(2.1)	(0.5)	(12.1)
Foreign exchange differences	(0.2)	5.3	4.0		0.8	-	9.9
As at 31 December 2017	**16.3**	**432.1**	**235.7**	**2.0**	**47.9**	**40.9**	**774.9**
Accumulated depreciation							
As at 1 January 2017	**-**	**149.6**	**98.7**	**0.8**	**17.5**	**-**	**266.6**
Additions	-	34.2	24.7	0.4	8.5	-	67.8
Disposals	-	(0.3)	(5.7)	(0.2)	(1.8)	-	(8.0)
Foreign exchange differences	-	3.6	2.7	-	0.5	-	6.8
As at 31 December 2017	**-**	**187.1**	**120.4**	**1.0**	**24.7**	**-**	**333.2**
Impairment write-downs							
As at 1 January 2017	**-**	**23.8**	**5.7**	**-**	**0.9**	**0.9**	**31.3**
Additions	0.1	2.4	1.6	-	0.1	0.4	4.6
Disposals	-	(0.2)	0.0	-	(0.1)	0.4	0.1
Foreign exchange differences	-	(0.1)	(0.2)	-	-	-	(0.3)
As at 31 December 2017	**0.1**	**25.9**	**7.1**	**-**	**0.9**	**1.7**	**35.7**
Net book value							
As at 1 January 2017	**5.2**	**175.8**	**80.6**	**1.0**	**21.3**	**20.8**	**304.7**
As at 31 December 2017	**16.2**	**219.1**	**108.2**	**1.0**	**22.3**	**39.2**	**406.0**

(all figures in EUR millions unless stated otherwise)

Due to the nature of the Group business the balance of the property, plant and equipment consists of assets in over 1.6 thousands restaurants. There are no individually significant assets. High balance of additions during the years is related with significant organic growth during the years. In next year the Group also expect to build significant number of restaurants. The Group is not expecting any significant disposals of property, plant and equipment items in foreseeable future.

Depreciation was charged as follows:

	year ended	
	31 December 2018	**31 December 2017**
Costs of restaurant operations	76.6	64.9
Franchise expenses and other	1.5	1.2
Administrative expense	2.2	1.7
Total depreciation	**80.3**	**67.8**

Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended 31 December 2018 by around EUR 8.2 million. Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended 31 December by around EUR 7.0 million.

Property, plant and equipment listed below cover assets under finance lease, where the Group is the lessee:

	Land	Buildings	Machinery	Vehicles	Total
As at 31.12.2018					
Gross value	0.2	2.7	0.7	1.0	4.6
Accumulated depreciation	-	(1.3)	(0.1)	(0.6)	(1.9)
Impairment	-	-	-	-	-
Net value	0.2	1.4	0.6	0.5	2.7
As at 31.12.2017					
Gross value	0.2	1.9	-	1.3	3.4
Accumulated depreciation	-	(0.6)	-	(0.7)	(1.2)
Impairment	-	-	-	-	-
Net value	0.2	1.3	-	0.6	2.1

The table below presents the calculation of the loss on sale of property, plant and equipment and intangible assets in the years ended 31 December 2018 and 2017:

	year ended	
	31 December 2018	**31 December 2017** *(restated)*
Proceeds from the sale of property, plant and equipment and intangible assets	13.3	10.0
Net value of property, plant and equipment and intangible assets sold	(10.0)	(10.8)
Gain (loss) on sale	**3.3**	**(0.8)**
Net value of property, plant and equipment and intangible assets liquidated	(0.5)	(0.1)
Gain (loss) on sales and liquidations	**2.7**	**(1.0)**

Impairment test results

The Group periodically reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated for the purpose of impairment testing. The recoverable amount of an asset is determined at the level of a single restaurant as the smallest unit (or set of assets) generating cash flows that are largely independent of the cash inflows generated by other assets /groups of assets. Impairment indicators defined by the Group are described in note 40k.

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

(all figures in EUR millions unless stated otherwise)

	Pre-tax discount rate 2018	Pre-tax discount rate 2017
Poland	8.88%	9.12%
Czechia	8.08%	7.38%
Hungary	8.57%	8.17%
Russia	18.71%	18.57%
Serbia	12.44%	13.95%
Bulgaria	6.94%	7.49%
Spain	8.53%	8.85%
Germany	6.28%	6.41%
France	7.34%	7.52%
Croatia	9.45%	10.15%
China	10.07%	11.49%
Romania	11.54%	9.37%
Slovakia	6.81%	-

Impairment indicators are reviewed twice a year and respective impairments test for restaurants are performed twice a year (June 30 and December 31). Recent available financial data is used to determine if impairment indictors exists. As a result of tests performed, impairment in the amount of EUR 8.0 million (EUR 7.1 million for property, plant and equipment and EUR 0.9 million for intangible assets) for the year 2018 and EUR 5.9 million in 2017 was recognised. The geographical split of the impairment results is presented in note 5.

Recognised impairment losses do not relate to any individual significant items, but to numerous restaurants tested during the year, which is consisted within years and result of Group's specifics of operations.

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

During year 2017 Group tested 214 restaurants and recognised impairment or partial impairment losses for assets in 84 restaurants. In 22 restaurants impairment losses were reversed, or partially reversed. The highest individual impairment loss recognised during the year for the individual restaurant amounted to EUR 1.0 million. Average impairment loss per store was less then EUR 0.1 million.

14. Intangible assets

The table below presents changes in the value of intangible assets in 2018 and 2017:

2018	Proprietary brands	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees	Total
Gross value					
As at 1 January 2018	**70.6**	**34.9**	**51.6**	**43.0**	**200.1**
Acquisition	94.5	0.8	0.2	-	95.5
Additions	-	4.9	5.6	-	10.5
Decreases	-	(0.2)	(0.9)	-	(1.1)
Foreign exchange differences	-	(1.2)	(0.7)	-	(1.9)
As at 31 December 2018	**165.1**	**39.2**	**55.8**	**43.0**	**303.1**
Accumulated amortisation					
As at 1 January 2018	**1.2**	**13.5**	**22.5**	**11.9**	**49.1**
Additions	0.2	2.9	6.9	1.8	11.8
Decreases	-	-	-	-	-
Foreign exchange differences	-	(0.4)	(0.3)	-	(0.7)
As at 31 December 2018	**1.4**	**16.0**	**29.1**	**13.7**	**60.2**
Impairment write-downs					
As at 1 January 2018	-	**1.0**	**1.1**	-	**2.1**
Additions	-	-	0.9	-	0.9
Decreases	-	-	(0.9)	-	(0.9)

(all figures in EUR millions unless stated otherwise)

2018	Proprietary brands	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees	Total
Foreign exchange differences	-	0.1	(0.1)	-	0.0
As at 31 December 2018	-	**1.1**	**1.0**	-	**2.1**
Net book value					
As at 1 January 2018	**69.4**	**20.4**	**28.0**	**31.1**	**148.9**
As at 31 December 2018	**163.7**	**22.1**	**25.7**	**29.3**	**240.8**

2017 (restated)	Proprietary brands	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees	Total
Gross value					
As at 1 January 2017	**70.2**	**25.4**	**42.2**	**43.0**	**180.8**
Acquisition	0.9	0.6	8.5	-	10.0
Additions	-	5.5	9.2	-	14.7
Decreases	(0.1)	(0.3)	(8.8)	-	(9.2)
Foreign exchange differences	(0.4)	3.7	0.5	-	3.8
As at 31 December 2017	**70.6**	**34.9**	**51.6**	**43.0**	**200.1**
Accumulated amortisation					
As at 1 January 2017	**1.0**	**10.2**	**19.0**	**10.2**	**40.4**
Additions	0.2	2.8	5.2	1.7	9.9
Decreases	-	(0.1)	(1.9)	-	(2.0)
Foreign exchange differences	-	0.6	0.2	-	0.8
As at 31 December 2017	**1.2**	**13.5**	**22.5**	**11.9**	**49.1**
Impairment write-downs					
As at 1 January 2017	-	**0.5**	**0.3**	-	**0.8**
Additions	-	0.5	0.8	-	1.3
Decreases	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-
As at 31 December 2017	-	**1.0**	**1.1**	-	**2.1**
Net book value					
As at 1 January 2017	**69.2**	**14.7**	**23.0**	**32.8**	**139.6**
As at 31 December 2017	**69.4**	**20.4**	**28.0**	**31.1**	**148.9**

Amortisation was charged as follows:

	year ended	
	31 December 2018	**31 December 2017**
Costs of restaurant operations	3.9	3.0
Franchise expenses and other	3.0	2.3
Administrative expense	4.9	4.6
Total amortisation	**11.8**	**9.9**

Other intangible assets cover mainly exclusivity rights including master-franchise rights in the amount of EUR 13.8 million (EUR 16.5 million as at 31 December 2017) and computer software.

The Group considers that brands, exclusivity rights as well as other intangible assets with indefinite useful lives do not generate cash inflows that are largely independent of other groups of assets. For some Group brands, cash inflows from the franchisee business are partially independent of other cash inflows, however, these do not represent the value of the whole brand. Brands, as well as other assets with indefinite lives, are used to support restaurant business development and revenues from sales of products under certain brands are not capable of being split between revenue for the brand and revenue for costs of production. Consequently, brands and other intangible assets are not a cash-generating unit and are not tested on a standalone basis. Such assets are tested together with their relevant goodwill values. The results of the test are presented in note 15.

(all figures in EUR millions unless stated otherwise)

15. Goodwill

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

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

2018	1 January 2018	Increases	Foreign exchange differences	31 December 2018
Czechia	1.5	-	-	1.5
Hungary	4.0	-	(0.2)	3.8
Russia - KFC	40.6	-	(4.9)	35.5
Poland – Pizza Portal	0.7	-	-	0.7
Poland – Other	0.6	-	-	0.6
Spain	89.6	-	-	89.6
Spain - Bacoa (provisional)	-	1.2	-	1.2
China	19.9	-	(0.2)	19.7
Romania	2.7	-	-	2.7
Germany - KFC	4.6	-	-	4.6
Germany - Starbucks	35.0	-	-	35.0
France - KFC	7.1	8.8	-	15.9
France - PH	8.8	-	-	8.8
Sushi Shop (provisional)	-	148.9	-	148.9
Total	**215.1**	**158.9**	**(5.3)**	**368.7**

2017 *(restated)*	1 January 2017	Increases	Foreign exchange differences	31 December 2017
Czechia	1.3	-	0.2	1.5
Hungary	4.0	-	-	4.0
Russia - KFC	21.9	20.9	(2.2)	40.6
Poland – Pizza Portal	-	0.7	-	0.7
Poland – Other	0.2	0.4	-	0.6
Spain	89.6	-	-	89.6
China	21.3	-	(1.4)	19.9
Romania	2.8	-	(0.1)	2.7
Germany - KFC	-	4.6	-	4.6
Germany - Starbucks	35.0	-	-	35.0
France - KFC	-	7.1	-	7.1
France – PH	-	8.8	-	8.8
Total	**176.1**	**42.6**	**(3.6)**	**215.1**

Goodwill recognised on the acquisition of Bacoa and Sushi Shop Group remains unallocated as at 31 December 2018, as the Group is still analysing where the synergies arose.

Impairment testing

In 2018, as a result of the many acquisitions completed in recent periods and the final allocation of the goodwill recognised on 2017 transactions, the Group verified the approach of presenting the allocation of goodwill into groups of cash-generating units. As a consequence, comparative information was also restated to present data consistently.

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

Own brands with an indefinite useful life include:

Brand	Allocation to group of units	31 December 2018	31 December 2017 *(restated)*
La Tagiatella	Spain	65.0	65.0
Pizza Portal	Poland – Pizza Portal	0.9	0.9
Bacoa	Spain – Bacoa (provisional)	2.5	-
Sushi Shop	Sushi Shop (provisional)	92.0	-

(all figures in EUR millions unless stated otherwise)

The recoverable amount of CGU's was based on value in use, estimated using discounted cash flows. The cash flows are derived from the budget for the next three years and forecasts for the following 2 years, and do not include restructuring activities that the Group is not yet committed to. Those cash flow projections represent management's best estimate of the range of economic conditions that will exist over a 5-year time period.

Cash flow projections beyond the 5-year period are estimated by extrapolating last year's projections using a steady growth rate for subsequent years. Growth rates do not exceed the long-term average growth rate for the products, industries, or country or market in which the asset is used.

Capital expenditure necessary to maintain the performance of an asset, and maintenance expenditure, are taken into account when estimating the future net cash flows.

The recoverable amount is most sensitive to the discount rate used as well as the expected average EBITDA margin and the growth rate used for extrapolation purposes.

The main input assumptions used in test are as follows:

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

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

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

Such sensitivity analysis examined the impact of changes in:

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

assuming other factors remain unchanged.

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

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

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

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

(all figures in EUR millions unless stated otherwise)

As at 31 December 2017, the Group conducted goodwill impairment tests on the acquisitions of businesses in Hungary, Russia, Spain, Romania, China and Germany, where goodwill was significant and the purchase price allocation process was completed. The tests have shown no need to recognise any impairment losses. There were no impairment indicators for provisionally determined and allocated goodwill balances from recent acquisitions.

The recoverable amount of the cash-generating units is based on calculations of value in use. 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.

Expected cash flows for identified cash-generating units were prepared on the basis of assumptions made derived from historical experience adjusted for realised plans and actions undertaken, together with adjustment for valid liabilities and assessments of changes in consumer behaviors.

Impairment testing was performed taking into consideration the following assumptions:

Year 2017	Hungary	Russia	Spain	China	Romania	Germany
Discount rate post tax	10.06%	16.82%	7.86%	8.34%	9.69%	5.08%
Implied pre-tax discount rate	8.17%	18.57%	8.85%	11.49%	9.37%	6.41%
Weighted average budgeted EBITDA margin	17.77%	12.74%	19.34%	11.69%	26.56%	9.57%

Expected future cash flows are analysed from the perspective of the period settled, in the lease agreement concerning 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. The residual growth rate was estimated at 2%. Budgeted EBITDA margin is calculated based on actual forecasts and financial performance expectations regarding a given cash-generating unit and takes into account all applicable factors influencing this ratio.

Management performed an impairment testing model sensitivity analysis in order to assess whether theoretical impairment is probable, assuming changes in key assumptions. If EBITDA margin decreased by 1 percentage point for the test of Russian business, the possible impairment would amount to EUR 13.2 million. If discount rates increased by 1 percentage point, the possible impairment loss would amount to EUR 0.8 million.

Management believes this scenario is remote, because the current analysis is based on fairly prudent assumptions. Assumed development plans include the cost of both new openings and other capital expenditures. Group analysis shows that reducing these plans and focusing on economies of scales and process optimization would mitigate the risk of impairment.

For other countries, management believes that no reasonably possible change in any of the key assumptions would result in the recognition of impairment loss of goodwill as at 31 December 2017.

16. Investment properties

The valuation of fair value performed using the discounted cash flows method did not differ materially from the balance sheet amount. In the Group's opinion, no valuation update indicators have occurred in 2018.

The fair value measurement for investment property has been categorized as a Level 2 fair value based on the inputs to the valuation technique used (note 4).

The results connected with investment properties are presented below:

	year ended	
	31 December 2018	**31 December 2017**
Sublease income	0.9	0.4
Investment property costs	(0.4)	(0.3)
Operating profit	**0.5**	**0.1**

17. Financial assets measured at fair value

Financial assets measured at fair value comprise the equity investment in Glovoapp23, S.L., based in Barcelona, Spain ("Glovo"), acquired on 18 July 2018. Based on the agreements signed, AmRest acquired a tranche of newly-issued shares in Glovo and purchased a portion of existing shares from certain shareholders of Glovo. As a result of the investment, which totaled EUR 25 million, AmRest became a co-lead investor holding Glovo shares giving it a 10% stake at shareholders' meetings. As there are some dilutive instruments such as employee options and phantom shares, for the purpose of the fair valuation exercise, a diluted stake of 8.15% was used (percentage of Glovo shares on a fully-diluted basis).

The Group has elected to recognise equity investment in Glovo under the category Financial assets at fair value through profit or loss.

Fair value

The fair value of the Glovo investment as at 31 December 2018 was EUR 26.9 million, increasing in the reporting period by EUR 1.9 million. The effect of revaluation has been recognised in income statement under finance income (note 10).

Valuation techniques

When determining fair value at the reporting date, two valuation techniques were considered – multiple approach and income approach. The multiple approach was based on the M&A transactions in the industry that the investee operates in (i.e. food delivery segment). The multiple was calculated based on enterprise value and revenue of the acquired companies and was subsequently adjusted to reflect a limited liquidity and minority stake factor.

The income approach was based on the discounted cash flow ("DCF") technique and considered a forecast of future cash flows for the firm, discounted by a risk-adjusted discount rate.

The fair value of the Glovo investment was estimated as a weighted average of the results obtained using the described approaches. Higher weight was applied to the multiple approach as it reflects the most recent market transactions in the food delivery segment and is solely based on the actual results of the companies.

Consequently, the fair value measurement of the Glovo investment was categorized as Level 3 in the fair value hierarchy, since the shares of the valued company were not listed on an exchange and not only recent observable arm's length transactions in similar shares which were taken into account.

No transfers between levels of fair value hierarchy have occurred in the reporting period.

Key unobservable inputs:

- Multiple approach technique – adjusted transaction multiple, liquidity discount, revenues,
- Income approach technique – expected future cash flows generated in explicit forecast period, risk-adjusted discount rate, liquidity discount, residual growth rate (cash flow growth rate in perpetuity, after explicit period).

Inter-relationship between significant unobservable inputs and fair value measurement:

Multiple approach - the estimated fair value would increase (decrease) if:

- Multiple level was higher (lower),
- Liquidity discount was lower (higher).

Income approach – the estimated fair value would increase (decrease) if:

- Risk-adjusted discount rates were lower (higher),
- Liquidity discount was lower (higher).

Sensitivity analysis

Reasonable possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects on the Group's profit before tax:

Significant unobservable input	Value used	Impact on profit before tax (EUR millions)	
		Increase of input variable	Decrease of input variable
Liquidity discount (10 p.p. movement)	30%	(3.1)	3.1
Multiple level (20% movement)	5.7	3.7	(3.7)
Risk-adjusted discount rate (2 p.p. movement)	15.5%	(1.6)	2.3

Key risk description

Market risk is defined as a risk of unexpected price fluctuations, the liquidity of a financial instrument measured as the ability to sell or purchase it at a stated price, and economic conditions that a financial instrument operates in or is exposed to.

The business plan of the investee assumes a need for additional funding in order to finance further expansion plans. Fair value estimation of financial assets is based on the assumption that the investee business will be funded as it consistently increases its revenue base and operates in very attractive markets in terms of growth prospects. In the event of not receiving funding, the investee would need to revise its strategy.

Additionally, a liquidity discount has been applied in the fair value estimation to reflect the fact that the valuation concerns a minority stake and a disposal of shares by the strategic investor in a business that still does not generate positive cash flows.

The risks of price fluctuations and change in economic conditions are indirectly incorporated in the discount rate, projections performed and the multiple applied in the estimations.

18. Other non-current assets

As at 31 December 2018 and 31 December 2017 the balances of other non-current assets were as follows:

	31 December 2018	31 December 2017 (*restated*)
Prepaid rental fees	3.0	0.3
Deposits for rentals	20.9	18.8
Prepaid other services	0.7	1.1
Settlement referring to acquisitions	-	1.1
Prepaid tax costs	-	0.4
Other	1.8	1.2
	26.4	**22.9**

19. Inventories

As at 31 December 2018 and 2017, inventories cover mainly food and packaging used in the restaurants, and finished goods and work in progress prepared by central kitchen for sale by La Tagliatella restaurants. Due to the nature of its business and applicable Group standards, all inventories are treated as materials. Inventories are presented at net value including write-downs.

20. Trade and other receivables

	31 December 2018	31 December 2017 (*restated*)
Trade receivables from non-related entities	32.6	18.8
Other tax receivables	23.9	17.3
Other	9.6	5.8
Write-downs of receivables (note 37)	(4.2)	(3.2)
	61.9	**38.7**

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 37.

(all figures in EUR millions unless stated otherwise)

21. Other current assets

	31 December 2018	31 December 2017 (*restated*)
Prepaid costs of utilities	4.2	0.3
Prepaid lease costs	9.4	6.1
Prepaid property insurance	0.5	0.3
Prepaid professional services cost	1.4	0.1
Prepaid marketing costs	0.2	0.1
Prepaid tax costs	2.9	1.3
Assets related to purchase price adjustment	10.3	-
Assets related to a right to compensation resulting from the acquisition agreement	2.3	15.9
Other	5.3	5.1
Write-downs of other current assets	(0.2)	(0.1)
	36.3	**29.1**

As at 31 December 2018, assets related to the purchase price adjustment of EUR 10.3 million correspond to receivables claimed from the sellers of Sushi Shop Group, as part of the process of determining the final purchase price, as agreed in the share purchase agreement. More information is presented in note 6.

The decrease in assets related to a right to compensation resulting from the acquisition agreement relates mainly to a decline in the balance recognised on the Starbuck Germany acquisition. In 2018, the previous owners of Starbucks Germany settled the majority of the tax obligation for the period before AmRest took control. Consequently, the balance of tax liabilities accounted for at 31 December 2017, as well as the balance of assets related to a right to compensation, fell.

In 2017, the asset related to right to compensation resulting from the acquisition agreements results from the recognition of a KFC France acquisition related to employee liabilities subject to re-payment by the seller in an amount of EUR 3.5 million. The remaining balance of EUR 10.0 million results from a reimbursement asset recognised on the acquisition of Starbucks Germany, which was partially utilized in 2017 for tax settlements, and an amount of EUR 2.4 million recognised as a result of updated tax settlement calculations for 2015 that were fully indemnified by the seller.

22. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2018 and 31 December 2017 are presented in the table below:

	31 December 2018	31 December 2017 (*restated*)
Cash at bank	103.9	113.2
Cash in hand	14.5	18.0
	118.4	**131.2**

Reconciliation of working capital changes as at 31 December 2018 and 31 December 2017 is presented in the table below:

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

(all figures in EUR millions unless stated otherwise)

2017 (restated)	**Balance sheet change**	**Increase from acquisition**	**Recognition of capital elements in the employee share option plan**	**Other assets and liabilities related with acquisition**	**Change in investment liabilities**	**Foreign exchange differences**	**Working capital changes**
Change in receivables	(16.1)	2.6	(0.6)	-	-	0.3	(13.8)
Change in inventories	(3.8)	1.3	-	-	-	0.1	(2.4)
Change in other assets	(14.5)	0.5	-	-	-	3.8	(10.2)
Change in payables and other liabilities	55.1	(10.3)	-	-	(4.9)	(6.0)	(33.9)
Change in other provisions and employee benefits	(0.8)	(2.9)	(1.4)	-	-	(0.4)	(5.5)

23. Equity

Share capital

Since 27 April 2005, the shares of AmRest Holdings SE were listed on the Warsaw Stock Exchange ("WSE"). On 6 June 2018 at the Annual General Shareholders Meeting it was agreed that AmRest Holdings SE be allowed to start a process of application for stock market listing of its shares on the Spanish Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia. The referred shares were listed and trading commenced on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges on 21 November 2018. Since that date, AmRest's shares have been quoted simultaneously on both the above stock exchanges (dual listing).

At the Annual General Shareholders Meeting held on 6 June 2018 it was approved to increase the share capital up to EUR 1.0 for each share. The total increase amounted to EUR 21 001 754.07, was exercised by offsetting the share premium reserve. The capital increase was registered on 20 September 2018 at the Commercial Registry (Registro Mercantil) in Madrid.

At the Annual General Shareholders Meeting held on 6 June 2018 it was also approved to perform a share split by reducing the nominal value of the Company's shares from EUR 1.0 to EUR 0.1 each without any impact on the total share capital. The decrease in share value was approved to be done by dividing the number of outstanding shares - for each old share 10 new were declared (split). On 20 September 2018 the reduction of the nominal value of shares from 1 EUR to 0.1 EUR with an exchange ratio of 1:10 without any change in share capital was registered at the Commercial Registry (Registro Mercantil) in Madrid.

On 27 September 2018 Krajowy Depozyt Papierów Wartościowych (KDPW) (the Central Securities Depository of Poland) passed a resolution to register at KDPW the reduction of the nominal value of the shares from 1 EUR to 0.1 EUR by dividing the total number of AmRest shares (split) in a ratio of 1:10. On 3 October 2018 the share split was executed. As result, the total number of Company shares traded increased to 212 138 930, each with a nominal value of 0.1 EUR as at that date.

On 11 October 2018 AmRest announced that the Board of Directors of the Company has resolved to carry out a share capital increase excluding pre-emption rights in an effective amount (including nominal amount and share issue premium) of EUR 70 million. The effective date of the share capital increase is 15 October 2018, when all funds were received and the deed granted before a public notary. Under the share capital increase, the Company issued 7 415 253 new shares, of the same class and series as the Company's outstanding shares.

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

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

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

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

(all figures in EUR millions unless stated otherwise)

Changes in the number of shares are also disclosed in note 34 Earnings per share.

As at 31 December 2017 the Company had no availability to issue new shares to settle employee option plans. Settlements of the employee options plans are available through treasury stocks in a secondary market or in cash.

On 6 June 2018, the shareholders at the Annual General Meeting adopted resolution no 13 authorizing the Board of Directors of the Company to increase share capital in compliance with the provisions of article 297.1.b) of the Spanish Companies Act, within a period of no more than five years, with the power to exclude the pre-emption rights on subscription in the terms of article 506 of the Companies Act, up to a maximum amount of the equivalent of 20% of the share capital at the time the increase is authorized. Increases in share capital under this authorization shall be carried out through the issuance and quotation of new shares (with or without a premium), the consideration for which shall be cash contributions. In each increase, the Board of Directors shall decide whether the new shares to be issued are ordinary, preferred, redeemable, non-voting or any other kind of shares among those permitted by law. Furthermore, as for all matters not otherwise contemplated, the Board of Directors may establish the terms and conditions of the share capital increases and the characteristics of the shares, and may also freely offer the new shares that are not subscribed within the period or periods for the exercise of pre-emption rights.

To the best of AmRest's knowledge, as at 31 December 2018 AmRest Holdings had the following shareholder structure:

Shareholder	**Number of shares and votes at the Shareholders' meeting**	**% of shares and votes at the Shareholders' meeting**
FCapital Dutch B. V.*	123 777 447	56.38%
Gosha Holding S.à.r.l**	23 426 313	10.67%
Nationale-Nederlanden OFE	10 718 700	4.88%
Artal International S.C.A.	10 500 000	4.78%
Aviva OFE	7 013 700	3.19%
Other Shareholders	44 118 023	20.10%

** FCapital Dutch B. V. is the majority shareholder of FCapital Lux (holding directly 56 509 547 AmRest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finacces SAPI de CV is the direct majority shareholder of Finaccess Capital, S.A. de C.V. and a subsidiary of Grupo Far-Luca, S.A. de C.V. The direct majority shareholder of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González, is a member of AmRest's Board of Directors.*
*** Gosha Holding S.à.r.l. is a legal entity closely associated with Mr. Henry McGovern and Mr. Steven Kent Winegar, members of AmRest's Board of Directors.*

(all figures in EUR millions unless stated otherwise)

Reserves

The structure of Reserves is as follows:

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

(all figures in EUR millions unless stated otherwise)

	Share premium	Put option	Employee options	Treasury shares	Hedges valuation	Transactions with NCI	Total Reserves
As at 1 January 2017 *(restated)*	**189.1**	**(40.7)**	**(2.7)**	**(2.5)**	**(7.0)**	**26.5**	**162.7**
Net investment hedges	-	-	-	-	12.1	-	12.1
Income tax related to net investment hedges	-	-	-	-	(2.3)	-	(2.3)
Total comprehensive income	**-**	**-**	**-**	**-**	**9.8**	**-**	**9.8**
Transaction with non-controlling interests	-	-	-	-	-	(7.0)	(7.0)
Total transactions with non-controlling interests	**-**	**-**	**-**	**-**	**-**	**(7.0)**	**(7.0)**
Purchases of treasury shares	-	-	-	(18.7)	-	-	(18.7)
Share based payments							
Value of disposed treasury shares	-	-	(10.6)	10.6	-	-	**-**
Employee stock option plan – value of employee benefits exercised in the period	-	-	3.2	-	-	-	3.2
Employee stock option plan – proceeds from employees for shares disposal	-	-	0.4	-	-	-	0.4
Employee stock option plan – change in unexercised options	-	-	0.8	-	-	-	0.8
Change of deferred tax related to unexercised employee benefits	-	-	0.6	-	-	-	0.6
Effect of modification of employee stock option plan	-	-	0.5	-	-	-	0.5
Total share based payments	-	-	*(5.1)*	*10.6*	-	-	*5.5*
Total distributions and contributions	**-**	**-**	**(5.1)**	**(8.1)**	**-**	**-**	**(13.2)**
As at 31 December 2017 *(restated)*	**189.1**	**(40.7)**	**(7.8)**	**(10.6)**	**2.8**	**19.5**	**152.3**

(all figures in EUR millions unless stated otherwise)

Share premium

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

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

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

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

There were no transactions within share premium in 2017.

Put option

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

There were no transactions in 2018 nor in 2017 related to the put option over non-controlling interests, therefore, the balance of this equity item has not changed. Also, the Group currently does not have any open put option contracts.

Payments in shares

This item reflects the impact of payments in a fixed number of shares. In 2018 the Group acquired Sushi Shop Group, where part of acquisition price is to be deferred and settled in a fixed number of Company shares. Taking into account both the legal form and substance of agreed payments, the Group concluded that this represents an equity instrument, and consequently accounted for the transaction under equity (see note 6).

Treasury shares

As at 31 December 2018 the Group had 1 586 738 treasury shares for a total purchase value of EUR 15.2 million, presented as treasury shares within "Reserves" under equity.

Transactions with NCI

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

The following key transactions were recognised in 2018:

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

The following key transactions were recognised in 2017:

	Transactions with NCI	Non-controlling interest	Total Equity
Transactions with non-controlling interests			
Additional contributions by non-controlling interests of Pizza Portal	-	2.2	2.2
Equity attributable to non-controlling interests SCM s.r.o.	-	0.2	0.2
Acquisition of non-controlling interests of Blue Horizon	(7.0)	(6.3)	(13.3)
Dividends allocated to non-controlling shareholders	-	(0.9)	(0.9)
Total transactions with non-controlling interests	**(7.0)**	**(4.8)**	**(11.8)**

(all figures in EUR millions unless stated otherwise)

Hedges valuation

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

AmRest sp. z o.o., a Polish subsidiary, with PLN as functional currency, is a borrower of external EUR financing. A bank loan of EUR 220 million has been hedging the net investment in its EUR subsidiaries both in 2017 and 2018. Following a change in presentation currency of the Group from PLN to EUR, AmRest sp. z o.o. remains exposed to the foreign currency risk between the functional currency of its net investment in its EUR investments and its own functional currency (PLN). These different functional currencies create a genuine economic exposure to changes in fair values in the consolidated financial statements of the Group.

In 2017, AmRest Holding (with PLN as its functional currency) was exposed to foreign currency risk associated with foreign investments and used its EUR 101 million external debt as a hedging instrument. At 1 January 2018, AmRest Holding changed its functional currency to EUR and the respective EUR external debt no longer qualifies as a hedging instrument in the consolidated financial statements. Accordingly, AmRest Holdings discontinued hedge accounting and the respective foreign currency gains and losses accumulated in the hedging reserve will remain in equity until the respective net investments are disposed of.

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

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

During the period of 12 months ended 31 December 2018 hedges were fully effective.

As at 31 December 2018 the accumulated value of currency revaluation recognised in reserve capital (resulting from net investment hedges) amounted to EUR 4.2 million, and deferred tax concerning this revaluation EUR 0.9 million

Impact of hedges valuation:	Net investment	Valuation effects of security, total
As at 1 January 2018	**2.8**	**2.8**
Impact of net investment hedges valuation	(4.2)	(4.2)
Deferred income tax	0.9	0.9
As at 1 December 2018	**(0.5)**	**(0.5)**
As at 1 January 2017	**(7.0)**	**(7.0)**
Impact of cash flow hedges valuation	12.1	12.1
Deferred income tax	(2.3)	(2.3)
As at 1 December 2017	**2.8**	**2.8**

Non-controlling interest

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

	31 December 2018	**31 December 2017** (*restated*)
AmRest Coffee Sp. z o.o.	1.7	2.4
SCM Sp. z o.o.	1.5	1.6
AmRest Coffee s.r.o.	2.9	2.3
AmRest Kávézó Kft	0.8	0.8
AmRest d.o.o.	1.0	0.6
SCM s.r.o.	0.3	0.2
SCM due Sp. z o.o.	0.1	-
Restaurant Partner Polska Sp. z o.o.	0.7	1.0
Sushi Shop Group	0.9	-
Non-controlling interests	**9.9**	**8.9**

24. Dividends paid and received

In the period covered by these Consolidated Financial Statements the Group has paid a dividend to non-controlling interest of SCM s.r.o amounting to EUR 13 thousand (CZK 339 thousand).

(all figures in EUR millions unless stated otherwise)

25. Non-controlling interests

At 31 December 2018 and 31 December 2017 the summarised financial information for each subsidiary that has non-controlling interests is as follows:

Summarised balance sheet

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

2017	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	SCM due Sp. z o.o.	Restaurant Partner Polska Sp. z o.o.	SCM s.r.o.	AmRest d.o.o.	Sushi Shop Group
Current assets	8.2	1.9	3.8	4.4	0.4	2.5	0.4	1.0	-
Liabilities	(3.3)	(2.2)	(3.7)	(2.1)	(0.3)	(2.7)	(0.1)	(0.8)	-
Total current net assets	4.9	(0.3)	0.1	2.3	0.1	(0.2)	0.3	0.2	-
Non-current assets	8.5	4.6	13.3	0.8	-	2.6	-	1.8	-
Non-current liabilities	(0.2)	-	-	(0.4)	(0.1)	(0.1)	-	-	-
Total non-current net assets	8.3	4.6	13.3	0.4	(0.1)	2.5	-	1.8	-
Net assets	13.2	4.3	13.4	2.7	-	2.3	0.3	2.0	-

(all figures in EUR millions unless stated otherwise)

Summarised income statement

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

2017	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o.o.	SCM Sp. z o.o.	SCM due Sp. z o.o.	Restaurant Partner Polska Sp. z o.o.	SCM s.r.o.	AmRest d.o.o.	Sushi Shop Group
Total sales	21.9	10.9	24.1	11.7	0.6	0.8	0.6	3.9	-
Profit before tax	3.3	0.8	(1.3)	1.8	0.1	(2.5)	0.2	0.1	-
Income tax expense/income	(0.6)	(0.2)	-	(0.4)	-	-	-	-	-
Profit/loss for the period	2.7	0.6	(1.3)	1.4	0.1	(2.5)	0.2	0.1	-
Profit/loss for the period allocated to NCI	0.5	0.1	(0.2)	0.6	-	(1.2)	0.1	0.1	-

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

26. Borrowings

Long-term	31 December 2018	31 December 2017 (*restated*)
Bank loans	554.8	299.4
Bonds and SSD	101.0	134.4
	655.8	**433.8**

Short-term	31 December 2018	31 December 2017 (*restated*)
Bank loans	4.7	1.7
Bonds	1.3	36.1
	6.0	**37.8**

Bank loans and bonds

Currency	Lender/ bookbuilder	Effective interest rate	31 December 2018	31 December 2017 (*restated*)
PLN	Syndicated bank loan	3M WIBOR+margin	134.2	30.0
EUR	Syndicated bank loan	3M EURIBOR/fixed +margin	408.3	259.6
CZK	Syndicated bank loan	3M PRIBOR+margin	11.7	9.2
PLN	Bonds 5 – years (issued in 2013 & 2014)	6M WIBOR+margin	-	68.2
EUR	Schuldscheinedarlehen Bonds	6M EURIBOR/fixed +margin	102.3	102.3
EUR	Bank loans Germany	EURIBOR+margin	2.8	-
CNY	Bank loan – China	Fixed	2.5	2.3
			661.8	**471.6**

As at 31 December 2018, syndicated bank financing secured in 2017, with further amendments, accounts for the majority of AmRest debt. Details of bank financing are as follows:

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

The available tranches:

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

** Approximate total amount: EUR 692m*

- Interest rates: Approximately half of the available facility is provided at variable interest rates (3M Euribor/Wibor/Pribor increased by a margin) and parts of tranches A and F are provided at a fixed rate,
- Securities: submissions to execution from the Borrowers, guarantees from Group companies,
- Other information: AmRest is required to maintain certain ratios at agreed levels, in particular, net debt/adjusted consolidated EBITDA is to be held below 3.5 and consolidated EBITDA/interest charge is to stay above 3.5.

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.

On 2 July 2018, AmRest Holdings redeemed at maturity bonds issued in June 2013 (PLN 140 million, approx. EUR 32.8 million) and on 28 September 2018 the Company used the call option for early redemption of bonds issued in September 2014 (PLN 140 million, approx. EUR 32.8 million). Redemption of bonds resulted in the expiry of all rights and obligations arising from them and was financed with Tranche E of the bank financing.

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

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

As at 31 December 2018, payables concerning SSD issued amount to EUR 102.3m.

The maturity of long- and short-term loans as at 31 December 2018 and 2017 is presented in the table below:

	31 December 2018	31 December 2017 (*restated*)
Up to 1 year	6.0	37.8
Between 1 and 2 years	55.4	33.5
Between 2 and 5 years	561.4	361.8
More than 5 years	39.0	38.5
	661.8	**471.6**

The Group has the following unused, awarded credit limits as at 31 December 2018 and 31 December 2017:

	31 December 2018	31 December 2017 (*restated*)
With floating interest rate		
- expiring within one year	30.0	-
- expiring beyond one year	104.6	140.3
	134.6	**140.3**

The table below presents the reconciliation of the debt:

	Bank loans	Bonds and SSD	Finance lease liabilities	Total
As at 1 January 2018	**301.1**	**170.5**	**2.1**	**473.7**
Payment	(22.4)	(67.6)	-	(90.0)
Loan taken/ new contracts	282.7	-	0.4	283.1
Accrued interests	7.4	5.0	0.2	12.6
Payment of interests	(7.6)	(6.2)	(0.1)	(13.9)
FX valuation	(1.7)	-	-	(1.7)
Other	-	0.6	(0.2)	0.4
As at 31 December 2018	**559.5**	**102.3**	**2.4**	**664.2**

27. Collateral on borrowings

The loans incurred by the Company do not account for collateral set up on property, plant and equipment 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 – AmRest Kaffee sp. z o.o., AmRest Coffee Deutschland Sp. z o.o. & Co.KG, AmRest DE Sp. z o.o. & Co.KG, AmRest Capital ZRT., AmRest KFT, OOO AmRest, OOO Chicken Yug, AmRest Coffee SRL, AmRest Tag S.L.U., Amrestavia S.L.U., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U., Pastificio Service S.L.U – granted sureties to the financing banks. These companies guarantee that the Borrowers will discharge their obligations following from the credit agreement until the loan is repaid, i.e. 30 September 2022 however not later than 5 October 2025.

28. Employee benefits and share based payments

The Group established long-term incentive plans in order to bind a portion of managers' and executives' remuneration with the Group's market value. At 31 December 2018, the Group had the share-based payment arrangements according to four share option plans. Part of options in the Plan 2 is accounted as cash-settled due to the availability of cash exercise method upon the choice of an employee. All other options in the following plans are equity-settled.

Plan 2 – Stock Option Plan 2005

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

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

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

Plan 3 – Management Incentive Plan 2011

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

Plan 4 – Stock Option Plan 2017

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

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

Plan 5 – Management Incentive Plan 2017

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

The terms and conditions for the share options outstanding as at 31 December 2018 are presented in the table below:

(all figures in EUR millions unless stated otherwise)

Grant date	Terms and conditions for vesting of the options	The maximum term of options	Option exercise price in EUR**	Method of settlement
Plan 2 - SOP				
April 30, 2009			1.14	Equity or equity/cash*
May 10, 2009			1.75	Equity or equity/cash*
April 30, 2010			1.68	Equity or equity/cash*
June 20, 2011			1.87	Equity or equity/cash*
April 30, 2012	1-5 years, 20% per annum	10 years	1.68	Equity or equity/cash*
April 30, 2013			1.94	Equity or equity/cash*
April 30, 2014			1.96	Equity or equity/cash*
December 9, 2015			3.14	Equity or equity/cash*
April 30, 2016			5.35	Equity
Plan 3 – MIP				
December 13, 2011			1.46	Equity
October 8, 2012			1.55	Equity
January 16, 2014	3 years, 33% p.a.	10 years	1.61	Equity
July 8, 2014			1.46	Equity
October 1, 2014			1.97	Equity
Plan 4 - SOP				
May 30, 2017			8.14	Equity
January 1, 2018			9.66	Equity
April 30, 2018	3-5 years, 60% after 3rd year, 20% after 4th and 5th year	10 years	10.91	Equity
August 6, 2018			10.46	Equity
October 1, 2018			10.63	Equity
December 10, 2018			9.40	Equity
Plan 5 - MIP				
March 15, 2017			10.51	Equity
September 13, 2017			10.97	Equity
October 13, 2017	3-5 years, 33% p.a.	10 years	11.87	Equity
March 3, 2018			10.51 - 11.87	Equity
October 1, 2018			14.54	Equity

**For some options only the equity method is applicable, as some employees can decide upon the settlement method, as disclosed in Plan 2 description above.*
***The table presents data considering the share split effect and necessary retrospective restatement which affected option prices (strike price, exercise price), fair value of the option and the number of options.*

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

In the table below we present the number and weighted average of the exercise prices (WAEP) of, and movements in, the options from all plans during the year ended 31 December 2018 and 2017:

Number of option 2018*	WAEP in EUR (before indexation)	Plan 5	Plan 4	Plan 3	Plan 2
At the beginning of the period	5.00	4 600 000	1 961 700	2 833 336	3 126 780
Granted during the period	6.83	3 550 000	2 395 000	-	-
Exercised during the period	1.22	-	-	(83 333)	(750 884)
Forfeited during the period	9.11	(1 500 000)	(237 950)	-	(101 120)
Outstanding at the end of the period	7.71	6 650 000	4 118 750	2 750 003	2 274 776
Exercisable as at the end of the period	1.38	-	-	2 366 660	960 622
Number of option 2017*	**WAEP in EUR (before indexation)**	**Plan 5**	**Plan 4**	**Plan 3**	**Plan 2**
At the beginning of the period	1.46	-	-	4 050 020	4 258 840
Granted during the period	8.04	4 600 000	1 961 700	-	-
Exercised during the period	2.68	-	-	(1 216 690)	(903 180)
Forfeited during the period	3.26	-	-	-	(228 880)
Outstanding at the end of the period	5.00	4 600 000	1 961 700	2 833 336	3 126 780
Exercisable as at the end of the period	1.77	-	-	2 066 660	974 280

**The table presents data considering the share split effect and necessary retrospective restatement which affected option prices (strike price, exercise price), fair value of the option and number of options.*

(all figures in EUR millions unless stated otherwise)

The weighted average share price at the dates of exercise of the options was EUR 10.28 in 2018 and EUR 8.03 in 2017.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 was 7.33 years (2017: 7.27 years).

Measurement

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

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

Plan*	Average fair value of option as at grant date	Average share price at the grant date	Average exercise price	Expected volatility	Expected term to exercise of options	Expected dividend	Risk-free interest rate
2018							
Plan 4 (SOP)	EUR 3.19	EUR 10.91	EUR 10.91	29%	5 years	-	2%
Plan 5 (MIP)	EUR 3.21	EUR 7.89	EUR 10.78	29%	5 years	-	2%
2017							
Plan 4 (SOP)	EUR 2.33	EUR 8.14	EUR 8.14	28%	5 years	-	2%
Plan 5 (MIP)	EUR 1.36	EUR 8.00	EUR 10.94	28%	5 years	-	2%

**The table presents data considering the share split effect and necessary retrospective restatement which affected option prices (strike price, exercise price), fair value of the option and number of options.*

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

Share-based payments costs and liabilities

The Group recognises accrual for equity-settled options in reserve capital. The amounts as at 31 December 2018 and 31 December 2017 are presented in a table below:

	31 December 2018	31 December 2017 *(restated)*
Reserve capital - Plan 2	3.4	3.7
Reserve capital - Plan 3	1.1	1.3
Reserve capital - Plan 4	2.0	0.4
Reserve capital - Plan 5	4.2	0.9
	10.7	**6.3**

The Group recognises liability for cash settled options. The amounts as at 31 December 2018 and 31 December 2017 are presented in a table below:

	31 December 2018	31 December 2017 *(restated)*
Liability for Plan 2	1.3	2.2
Other employee benefits liabilities	0.4	0.8
	1.7	**3.0**

The costs recognised in connection with the plans relating to incentive programs for the years ended 31 December 2018 and 2017 respectively are presented below:

	2018	2017 *(restated)*
Employee stock option plan 2	1.9	3.8
Employee stock option plan 3	0.1	0.1
Employee stock option plan 4	1.6	0.4
Employee stock option plan 5	3.1	0.9

(all figures in EUR millions unless stated otherwise)

	2018	2017 *(restated)*
Local incentive program – Spain	-	0.8
Local incentive program – China	-	-
	6.7	**6.0**

Pension, health care and other contributions

The costs recognised in connection with the employee benefits contributions for the years ending on 31 December 2018 and 31 December 2017 respectively are presented below:

	2018	2017 *(restated)*
Pension, health care contributions and other	85.3	63.7
	85.3	**63.7**

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

29. Provisions

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

2018	**As at 01.01.2018**	Assumed in a business combination	Increased during the year	Released during the year	Used during the year	F/X differences	**As at 31.12.2018**
Onerous contracts	0.9	1.2	0.3	(0.5)	(0.1)	-	1.8
Asset retirement obligation	8.0		1.1	-	-	-	9.1
Provision for court fees	0.4	1.5	0.5	-	(0.2)	-	2.2
Provision for tax risks	1.0	-	0.1	(0.3)	-	-	0.8
Provision for other	-	0.3	0.6	-	-	-	0.9
Total	**10.3**	**3.0**	**2.6**	**(0.8)**	**(0.3)**	**-**	**14.8**

2017 (restated)	**As at 01.01.2017**	Assumed in a business combination	Increased during the year	Released during the year	Used during the year	F/X differences	**As at 31.12.2017**
Onerous contracts	1.5	0.5	0.9	(0.9)	(1.1)	-	0.9
Asset retirement obligation	6.4	2.0	-	-	(0.4)	-	8.0
Provision for court fees	0.3	0.4	-	(0.1)	(0.2)	-	0.4
Provision for tax risks	1.4	-	0.1	(0.1)	(0.3)	(0.1)	1.0
Provision for other	-	-	-	-	-	-	-
Total	**9.6**	**2.9**	**1.0**	**(1.1)**	**(2.0)**	**(0.1)**	**10.3**

All provisions are treated as long-term liability.

Provision for onerous contracts

As at the balance sheet date, the Group recognised 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.

Provision for court fees

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

(all figures in EUR millions unless stated otherwise)

Provision for tax liabilities

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

Asset retirement obligation

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

30. Other non-current liabilities

Other non-current liabilities amounted to EUR 25.1 million as at 31 December 2018 out of which EUR 17.1 million relates to deferred payment of the Sushi Shop acquisition described in note 6. Other non-current liabilities amounted to 5.9 million as at 31 December 2017.

31. Trade and other accounts payables

Trade and other accounts payables as at 31 December 2018 and 31 December 2017 cover the following items:

	31 December 2018	31 December 2017 *(restated)*
Payables to non-related entities, including:	**184.3**	**139.7**
Trade payables	91.0	74.0
Payables in respect of uninvoiced deliveries of food	9.3	8.3
Employee payables	17.3	10.2
Social insurance payables	15.0	9.0
Pre-acquisition tax settlements liability	2.3	11.3
Other tax payables	14.8	6.7
Investment payables	22.8	15.5
Other payables	11.8	4.7
Contract liabilities - loyalty programs*	**0.7**	**-**
Contract liabilities - gift cards*	**5.3**	**-**
Contract liabilities – initial fees**	**2.3**	**-**
Accruals, including:	**52.3**	**43.9**
Employee bonuses	13.0	10.3
Marketing services	4.2	1.9
Holiday pay accrual	11.1	9.9
Professional services	4.9	4.4
Franchise fees	5.4	5.1
Lease cost provisions	5.5	5.4
Investment payables accrual	6.3	5.4
Other	1.9	1.5
Deferred income – short-term portion*	**1.5**	**4.8**
Social fund	**0.5**	**0.3**
Total trade and other accounts payables	**246.9**	**188.7**

**following the initial application of IFRS 15, customer loyalty programs and gift cards are classified within the contract liabilities, as at 31 December 2017 presented in deferred revenue, see note 41b*

***following the initial application of IFRS 15 initial fees paid by franchisees are recognised as contract liabilities, the impact of adopting IFRS 15 on the Group was described in the note 41b*

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

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

	2018	2017
Number of days:		
Average payment period to suppliers	22.78	19.48
Ratio of payments	22.96	19.46
Ratio of outstanding invoices	20.28	19.73
Millions of EUR:		
Total payments	176.8	147.0
Outstanding invoices	12.3	11.8

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

32. Finance lease liabilities

Financial lease liabilities – present value:

	31 December 2018	31 December 2017 *(restated)*
Payable within 1 year	0.6	0.4
Payable from 1 to 5 years	1.1	0.9
Payable after 5 years	0.7	0.8
	2.4	**2.1**

Finance lease liabilities – minimum lease payments:

	31 December 2018	31 December 2017 *(restated)*
Payable within 1 year	0.8	0.6
Payable from 1 to 5 years	1.4	1.2
Payable after 5 years	0.9	1.0
Total minimum lease payments	**3.1**	**2.8**
Future finance costs in respect of finance leases	(0.7)	(0.7)
Present value of finance lease liabilities	**2.4**	**2.1**

33. Operating leases

The Group concluded a large number of irrevocable operating lease agreements, mainly relating to leases of restaurants. In respect of restaurants, lease agreements are concluded on average for a period of 5-10 years and require a minimum notice period on termination.

The expected minimum lease fees relating to operating leases without the possibility of earlier cancellation are presented below:

	31 December 2018	31 December 2017 *(restated)*
Payable within 1 year	137.4	103.5
Payable from 1 to 5 years	476.5	302.9
Payable after 5 years	313.0	261.4
Total minimum lease payments	**926.8**	**667.8**

Lease payments for a large number of restaurants (especially those in shopping malls) comprise two components: a fixed fee and a conditional fee depending on the restaurant's revenues. The conditional fee varies 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 2018 and 2017 are as follows:

(all figures in EUR millions unless stated otherwise)

	year ended 31 December 2018			year ended 31 December 2017		
	Fixed fee	**Conditional fee**	**Total**	**Fixed fee**	**Conditional fee**	**Total**
Czechia	11.5	2.2	13.7	10.0	1.4	11.4
Hungary	5.5	0.9	6.4	4.5	0.7	5.2
Poland	33.2	2.1	35.3	28.4	2.4	30.8
Russia	15.4	0.7	16.1	13.1	1.3	14.4
Bulgaria	0.8	-	0.8	0.7	-	0.7
Serbia	0.4	-	0.4	0.4	-	0.4
Croatia	0.4	-	0.4	0.4	-	0.4
Spain	21.0	-	21.0	19.0	-	19.0
China	12.0	0.5	12.5	10.9	0.4	11.3
Romania	3.1	0.2	3.3	2.4	0.2	2.6
Germany	22.1	1.7	23.8	21.8	1.6	23.4
Slovakia	0.4	-	0.4	0.3	-	0.3
Austria	0.2	-	0.2	-	-	-
France	7.9	1.1	9.0	0.9	-	1.0
Slovenia	0.1	-	0.1	-	-	-
Total	**134.0**	**9.4**	**143.4**	**112.8**	**8.1**	**120.9**

The Group signs agreements for a definite period without the opportunity to terminate the contract. The prolongation of the agreement is based on market conditions.

34. Earnings per share

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

On 27 September 2018 Krajowy Depozyt Papierów Wartościowych (KDPW) passed a resolution on registration in KDPW of the reduction of the nominal value of the shares from 1 EUR to 0.1 EUR by dividing the total number of AmRest shares (split) in a ratio 1:10. The effective date of split was scheduled for 3 October 2018.

On 3 October 2018 the share split was executed. As result the total number of Company shares traded on the Warsaw Stock Exchange (the "WSE") increased to 212 138 930, each with a nominal value of 0.1 EUR.

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

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

The effect of the share split	**1 January 2018 - 3 October 2018** (the effective date of share split)	**2017** *(restated)*
Number of ordinary shares in circulation before split	21 213 893	21 213 893
Number of ordinary shares in circulation after split	212 138 930	212 138 930

On 11 October 2018 AmRest announced that the Board of Directors of the Company had resolved to carry out a share capital increase excluding pre-emption rights in an effective amount (including nominal amount and share issue premium) of EUR 70 million. The effective date of the share capital increase was 15 October 2018, when all funds were received and deed granted before a public notary. Under the share capital increase, the Company issued 7 415 253 new shares, of the same class and series as the outstanding shares in the Company.

The table below presents the effect of the share capital increase on the weighted-average number of ordinary shares:

Weighted-average number of ordinary shares	**2018**	**2017** *(restated)*
Outstanding ordinary shares within the period from 1 January to 3 October (with share split effect)	212 138 930	212 138 930
Shares issued on 15 October	7 415 253	-
Issued ordinary shares at 31 December	**219 554 183**	**212 138 930**
Weighted-average number of ordinary shares during the year	**213 707 541**	**212 138 930**

Table below presents calculation of basic and diluted earnings per ordinary share for the year ended 31 December 2018 and 2017:

EPS calculation with the effect of share split	2018	2017 *(restated)*
Net profit attributable to shareholders of the parent (EUR millions)	43.0	42.9
Weighted average number of ordinary shares in issue	213 707 541	212 138 930
Weighted average number of ordinary shares for diluted earnings per share	213 707 541	212 138 930
Basic earnings per ordinary share (EUR)	0.20	0.20
Diluted earnings per ordinary share (EUR)	0.20	0.20

35. Future commitments and contingent liabilities

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

Other future commitments resulting from the agreements with Burger King, Starbucks and the current and future franchise agreements were described in notes 1 and 40e.

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

In regards to credit agreement described in note 26 the following Group entities provided surety: AmRest Kaffee sp. z o.o., AmRest Coffee Deutschland Sp. z o.o. & Co.KG, AmRest DE Sp. z o.o. & Co.KG, AmRest Capital ZRT., AmRest KFT, OOO AmRest, OOO Chicken Yug, AmRest Coffee SRL, AmRest Tag S.L.U., Amrestavia S.L.U., Restauravia Grupo Empresarial S.L., Restauravia Food, S.L.U., Pastificio Service S.L.U. for the following banks Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Česka Sporitelna A.S., ING Bank Śląski S.A. in amount of EUR 660 million, PLN 1.545 million, CZK 660 million till the date of debt payment however not later than 5 October 2025.

36. Transactions with related entities

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

Trade and other receivables from related entities:

	31 December 2018	31 December 2017
MPI Sp. z o. o.	-	-
	-	**-**

Trade and other payables to related entities:

	31 December 2018	31 December 2017
MPI Sp. z o. o.	-	-
	-	**-**

Sales of goods for resale and services:

	31 December 2018	31 December 2017
MPI Sp. z o. o.	-	-
	-	**-**

Purchase of goods for resale and services:

	31 December 2018	31 December 2017
MPI Sp. z o. o.	0.4	0.4
	0.4	**0.4**

Other related entities

Metropolitan Properties Investments Sp. z o. o.

As at 31 December 2017 Metropolitan Properties International Sp. z o.o. was a closely related company to Henry McGovern, who at that time was the member of the Supervisory Board of AmRest Holdings SE. In 2018 the contracts between Metropolitan Properties International Sp. z o.o. and AmRest were assigned to newly created entity Metropolitan Properties Investment Sp. z o.o. As at 31 December 2018 the entity meets the definitions of closely related company to Henry McGovern who in 2018 became the member of the Board of Directors of AmRest Holding SE (following a registration of the statutory seat of AmRest Holding SE in Spain).

Company Metropolitan Properties Investment Sp. z o.o. is involved in activities related to real estate. The Group leases three restaurants from Metropolitan Properties Investment Sp. z o.o. on conditions similar to those lease agreements concluded with third parties. Rental fees and other charges paid to MPI amounted to EUR 0.4 million and EUR 0.4 million in years ended 31 December 2018 and 31 December 2017 respectively.

Group shareholders

As at 31 December 2018, FCapital Dutch B.V. was the largest shareholder of AmRest and held 56.38% of its shares and voting rights, and as such was its related entity. No transactions with FCapital Dutch B.V. related parties were noted.

Transactions with key management personnel

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

	year ended	
	31 December 2018	**31 December 2017** (*restated*)
Remuneration of the members of the Board of Directors and Senior Management Personnel paid directly by the Group	3.0	3.1
Gain on share-based renumeration systems	1.1	7.3
Total compensation paid to key management personnel	**4.1**	**10.4**

The Group's key management personnel participates in the employee share option plans (note 28). The costs relating to the options amounted to EUR 3.2 million and EUR 0.8 million respectively in the years ended 31 December 2018 and 31 December 2017.

	year ended	
	31 December 2018	**31 December 2017** (*restated*)
Number of options outstanding (pcs, after split)	9 576 660	5 862 660
Number of available options (pcs, after split)	2 718 660	2 492 660
Fair value of outstanding options as at grant date (EUR millions)	17.0	6.5

As at 31 December 2018 and 2017, the Company had no outstanding balances with the key management personnel, apart from accruals for annual bonuses payable in first quarter of the following year. As at 31 December 2018 and 2017 the Company has not extended any advances to the Board of Directors or senior management personnel and had no pension fund, life insurance or other such commitments with these parties, except for the share option plans detailed above and in note 28. As at 31 December 2018 and 31 December 2017 there were no liabilities to former employees.

Conflicts of interest concerning the Board Directors

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

(all figures in EUR millions unless stated otherwise)

37. Financial instruments

The effect of initially applying IFRS 9 on the Group's financial instruments is described in the note 41.

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

The details about the equity instrument measured at fair value including levels in the fair value hierarchy and valuation techniques are described in the note 17.

As at 31 December 2018 the Group did not recognise the transfers between levels of fair value valuations.

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

31 December 2018	**Note**	**FVTPL**	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**
Financial assets measured at fair value				
Equity instruments	17	26.9	-	-
Financial assets not measured at fair value				
Rental deposits	18	-	20.9	-
Trade and other receivables	20	-	38.0	-
Cash and cash equivalents	22	-	118.4	-
Financial liabilities not measured at fair value				
Deferred payment of Sushi Shop acquisition	6	-	-	17.1
Loans and borrowings	26	-	-	559.5
SSD	26	-	-	102.3
Finance lease liabilities	32	-	-	2.4
Trade and other liabilities	31	-	-	163.1

31 December 2017	**Note**	**FVTPLL**	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**
Financial assets not measured at fair value				
Rental deposits	18	-	18.8	-
Trade and other receivables	20	-	21.4	-
Cash and cash equivalents	22	-	131.2	-
Financial liabilities not measured at fair value				
Loans and borrowings	26	-	-	301.2
Bonds	26	-	-	68.4
SSD	26	-	-	102.2
Finance lease liabilities	32	-	-	2.1
Trade and other liabilities	31	-	-	126.2

Risk management

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

Credit risk

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

(all figures in EUR millions unless stated otherwise)

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

The maximum credit risk exposure on Trade and other receivables and cash and cash equivalents amounts to EUR 180.3 million.

Cash and cash equivalents

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

Trade receivables

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

- Restaurant sales,
- Franchise and other sales.

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

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

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

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

During year 2018 the Group recognised an impairment of the Group's receivables exposed to credit risk in an amount of EUR 1.5 million.

The ageing break-down of receivables and receivable loss allowance as at 31.12.2018 is presented in the table below.

	Current	**Overdue in days**				**Total**
	current	less than 90	91 - 180	181 - 365	more than 365	
Trade and other receivables	48.5	10.5	3.0	1.6	2.5	**66.1**
Loss allowance (note 20)	(0.7)	(0.9)	-	(0.1)	(2.5)	**(4.2)**
Total	**47.8**	**9.6**	**3.0**	**1.5**	**-**	**61.9**

Value of loss allowance for receivables as at 31 December 2018 and 31 December 2017 is presented in table below:

	31.12.2018	**31.12.2017**
Value at the beginning of the period	3.2	2.2
Allowance created	2.8	2.3
Allowance released	(1.3)	(0.4)
Allowance used	-	(0.8)
Other	(0.5)	(0.1)
Value at the end of the period	**4.2**	**3.2**

(all figures in EUR millions unless stated otherwise)

Interest rate risk

Bank borrowings drawn by the Group are most often based on fluctuating interest rates (note 26). As at 31 December 2018 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyses the market position relating to interest on loans in terms of potential refinancing of debt or renegotiating the lending terms and conditions. The impact of changes in interest rates on results is analysed in quarterly periods.

Had the interest rates on loans denominated in Polish zlotys during the 12 months ended 31 December 2018 been 30 base points higher/lower, the profit before tax for the period would have been EUR 407 thousand lower/higher (2017: EUR 346 thousand).

Had the interest rates on loans denominated in Czech crowns during the 12 months ended 31 December 2018 been 30 base points higher/lower, the profit before tax for the period would have been EUR 31 thousand lower/higher (2017: EUR 27 thousand).

Had the interest rates on loans denominated in euro during the 12 months ended 31 December 2018 been 30 base points higher/lower, the profit before tax for the period would have been EUR 98 thousand lower/higher (2017: EUR 532 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, recognised assets and liabilities. Moreover, lease payments related to a significant part of the Group's lease agreements are indexed to the exchange rate of EUR or USD. Nevertheless, the Group is trying to sign lease agreements in local currencies whenever possible.

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

Net investment foreign currency valuation risk

The Group is exposed to risk of net investment valuation in subsidiaries valued in foreign currencies. This risk is hedged for key positions with use of net investment hedge. Details concerning hedging on currency risk are described in note 23.

Liquidity risk

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

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

The maturity break-down of long- and short-term borrowings as well as Trade and other liabilities as at 31 December 2018 and 31 December 2017 is presented in the table below:

	31.12.2018				**31.12.2017**			
	Trade and other liabilities	**Loan instalments**	**Interest and other charges**	**Total**	**Trade and other liabilities**	**Loan instalments**	**Interest and other charges**	**Total**
Up to 1 year	163.1	6.4	21.3	190.8	126.2	37.8	12.4	176.4
Between 1 and 2 years	-	56.2	19.7	75.9	-	33.5	12.5	46.0
Between 2 and 5 years	-	562.4	29.8	592.2	-	364.2	23.2	387.4
More than 5 years	-	38.9	0.4	39.3	-	38.5	1.3	39.8
Payable gross value	**163.1**	**663.9**	**71.2**	**898.2**	**126.2**	**474.0**	**49.4**	**649.6**

(all figures in EUR millions unless stated otherwise)

	31.12.2018				31.12.2017			
	Trade and other liabilities	Loan instalments	Interest and other charges	Total	Trade and other liabilities	Loan instalments	Interest and other charges	Total
Not amortised loan cost	-	(2.1)	-	(2.1)	-	(2.4)	-	(2.4)
Payable net value	**163.1**	**661.8**	**71.2**	**896.1**	**126.2**	**471.6**	**49.4**	**647.2**

Capital risk

The Group manages capital risk to protect its ability to continue in operation, so as to enable it to realise 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 an acceptable target and safe level of capital risk.

The Group manages capital risk to protect its ability to continue in operation, so as to enable it to realise returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost. Leverage ratio calculated as net debt/adjusted EBITDA at the level of 3.5 EBITDA is treated as acceptable target and safe level of capital risk. At 2018 and 2017 year end the leverage ratios were met.

38. Seasonality of sales

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

39. Audit fees

KPMG Auditores, S.L., and other related companies as defined in the fourteenth additional provision of legislation governing the reform of the financial system, rendered professional services to the Group during the years ended 31 December 2018 and 2017, the fees and expenses for which are as follows:

2018	KPMG Auditores, S.L.	Other entities affiliated with KPMG International	Other auditors	Total
Audit and other assurance services	0.6	0.1	0.4	1.1
Tax advisory services	-	-	-	-
Other services	-	-	0.2	0.2
	0.6	0.1	0.6	1.3

2017	BDO Sp. z o.o.	Other entities affiliated with BDO	Other auditors	Total
Audit and other assurance services	0.1	-	0.6	0.7
Tax advisory services	-	-	-	-
Other services	-	-	0.1	0.1
	0.1	-	0.7	0.8

Other assurance services include, mainly, limited review of the Condensed Consolidated Interim Financial Statements for the six-month period ending 30 June 2018 and other accorded upon-procedures performed by the auditors. Additionally, other services include ratio covenant reports.

Other assurance services include, mainly, limited review of the Condensed Consolidated Interim Financial Statements for the six-month period ending 30 June 2018 and other accorded upon-procedures performed by the auditors. Additionally, other services include ratio covenant reports.

The amounts detailed in the above table include the total fees for 2018 and 2017, irrespective of the date of invoice.

40. Significant accounting policies

a. Basis of consolidation

Business combinations

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

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

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

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

Subsidiaries

Subsidiaries are entities controlled by the Group.

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

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

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

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

Accounting policies used by subsidiaries were changed where necessary to ensure compliance with the Group accounting policies.

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

Non-controlling interests and transactions with non-controlling interests

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

Interests in equity-accounted investees

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

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

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

Transactions eliminated on consolidation

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

b. Foreign currency

Functional currencies and presentation currency

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

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

The Group used European Central Bank's exchange rates for currency translations as at 31 December 2018.

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at 31 December 2018.

Foreign currency transactions

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

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

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

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

Foreign operations

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

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

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

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

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

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

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

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

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

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

d. Finance and operating leases

Group as a lessee

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

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

Finance lease

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

Operating lease/rent cost

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

Group as a lessor

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

e. Revenues

Policy applicable after 1 January 2018

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

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

Restaurant sales

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

Franchise and other sales: owned brands

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

Franchise and other sales: master-franchise agreements

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

Performance obligations identified:

- AmRest's performance obligation to YUM: to develop the market by opening new restaurants (either AmRest own or sub-franchises) and promote the YUM's brand by performing marketing activities. Managing marketing fund is not distinct from the development of the market, and no separate remuneration was agreed between parties for those services. Various streams of cash flows are agreed in MFA: AmRest collects initial fees and transfers them to YUM, AmRest manages the marketing fund (collects revenue based contributions from owned and sub-franchised restaurants and spends them on marketing activities, any unspent amount is to be paid to YUM and YUM spends it on national campaigns at its discretion). If a certain point of market development level is reached, AmRest is enabled to receive a bonus that represents the transaction price for the service performed for the Master Franchisor. To reflect the substance of the transaction, cash flows received from sub franchisees from initial and marketing fees are netted with the initial fees paid/actual marketing expenses and bonus earned.

- AmRest's performance obligation to sub-franchisees: to grant sub-franchisees the right to use the system, system property etc. solely in connection with the conduct of the business at the outlet (sub-licensing from YUM). The transaction price is agreed in the form of sales based royalties paid by franchisees. Initial fees and renewal fees paid by franchisees are part of other performance obligations (described above). Corresponding costs of acquiring license right from Yum are presented within costs of sales of franchise activities in the line "Franchise and other expenses".

Loyalty points programs

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

Gift cards

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

Contract balances

- Contract assets: a contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays a consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. As at 31 December 2017 and as at 31 December 2018 there were no contract assets recognised.
- Trade receivables: a receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).
- Contract liabilities: a contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. Contract liabilities in the Group result mainly from customer loyalty programs and gift cards and were presented, applying the materiality concept, in the Trade and other accounts payables section of the consolidated statement of financial position.

<u>Policy applicable before 1 January 2018</u>

Restaurant sales, franchise sales and other sales constitute Group 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 recognised by the Group upon issuing them to the purchaser. Consideration for the goods is mainly in cash form.

Group owns brands and is a franchisor in franchisee agreements. Following policies apply:

- Initial fees paid by franchisees are recognised by the Group as a revenue at the moment when all critical points agreed in the contract areas are covered for the purpose of restaurant opening,
- Fees for using own brand paid by franchisees to the Group as a % of the sales (royalty fees) are recognised as earned.

Loyalty points programs:

Revenue was allocated between the loyalty program and the other components of the sale using the residual approach. The amount allocated to the loyalty program was deferred, and was recognised as revenue when the Group fulfilled its obligations to supply the discounted products under the terms of the program or when it was no longer probable that the points under the program would be redeemed.

The policy applied in the comparative information for gift cards presented for 2017 is similar to that applied for 2018.

f. Income tax

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

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

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

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

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

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

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

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

g. Property, plant and equipment

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

Assets related to opening restaurants

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

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

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

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

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

Leased assets

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Rental of the majority of restaurant space agreements is classified as operating leases, consequently rental costs are recognised in income statement.

Amortisation and depreciation

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

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

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

** over the lease term*

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

h. Franchise, license agreements and other fees

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

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

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

i. Intangible assets

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

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

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

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

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

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

Amortisation

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

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

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

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

The estimated useful lives of assets are as follows:

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

j. Goodwill

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

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

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

Goodwill of foreign operations is translated into euro at the exchange rates at the reporting date.

Gains and losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

k. Impairment of non-financial assets

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

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

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

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

If any indication of impairment exists, or if an annual impairment testing is required, the Group makes an estimate of the recoverable amount of that asset.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

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

Usually individual restaurants are considered separate CGUs in Group.

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

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

- Store is planned to be closed.

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

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

For goodwill tested together with intangibles with indefinite useful lives, as well other non-current assets allocated to groups of CGUs where goodwill is monitored the following impairment indicators are analysed:

Arising from external sources of information such as:

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

Arising from internal sources of information, including:

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

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

l. Investment properties

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

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

Investment properties are derecognised either when 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 recognised in the income statement in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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 property, plant and equipment up to the date of change in use.

m. Inventories

Inventories include mainly materials and goods for resale. Inventories are stated at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

n. Cash and cash equivalents

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

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

o. Financial assets

Policy applicable after 1 January 2018

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

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

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

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

Recognition and derecognition

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

Measurement

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

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss,

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss,

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

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

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

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

Impairment

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

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

- Financial assets that are debt instruments such as loans, debt securities, bank balances and deposits and trade receivables that are measured at amortised cost,
- Financial assets that are debt instruments measured at fair value through other comprehensive income,
- Finance lease receivables and operating lease receivables under IAS 17 and IFRS 16 (when applied),
- Contract assets under IFRS 15.

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

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

The Group applied the simplified approach for:

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

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

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

<u>Policy applicable before 1 January 2018</u>

The Group classified 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 depended on the purpose for which the investments were acquired. The Group determines the classification of its financial assets at initial recognition and reviews this designation at every 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 recognised at amortised cost net of impairment write-downs and recognised as current assets in the balance sheet, under "Trade and other receivables", if they mature within 12 months of the balance sheet date.

Regular purchase and sale transactions of financial assets are recognised as at the transaction date – the date on which the Group commits to purchase or sell a given asset. Investments are initially recognised 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 recognised at fair value, and the transaction costs are recognised in the income statement. Financial assets are derecognised 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 (amortised cost using the effective interest method).

Impairment

The Group assesses at each reporting date whether there is any objective evidence of asset impairment.

Impairment write-downs of trade and other receivables are recognised 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 taken from the books of account 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 recognised in the income statement.

p. 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 recognised at fair value and then at amortised cost net of impairment.

q. Financial liabilities

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

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

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

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

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

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

r. Trade and other payables and accruals

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

s. 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 profit or loss for the period.

The Group designates certain derivatives as either:

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

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

Cash flow hedge

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

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

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

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

Net investment hedge

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

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

Hedge is effective if:

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

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

t. Share based payments and employee benefits

Share-based payments

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

Equity-settled transactions

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

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

Cash-settled transactions

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

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

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

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

Long-term employee benefits based on years in service

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

Retirement benefit contributions

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

Management incentive program for Group employees in local markets

The AmRest Group has a management incentive program for employees of the Spanish Group based on the financial results for Spanish, Portuguese and French markets. This plan provides the minimal hurdle rate of the economic value increase of the Spanish business. Group Management values this program based on best estimates, including forecasts of the value of the Spanish business and an evaluation of plan settlement dates.

u. Provisions

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

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

Restructuring

A provision for restructuring is recognised when the Group has a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

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

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

The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed periodically and adjusted if needed. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Onerous contracts

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

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

v. Equity

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

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

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

The effect of the following transactions is presented under reserves:

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

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

Treasury shares

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

41. Changes in accounting policies and disclosures

a. Changes in significant accounting policies

▪ Change of the presentation currency and level of aggregation of data

In the second half of 2017 the shareholders of AmRest decided to change its domicile from Wroclaw, in Poland to Madrid in Spain. Respective legal documents were submitted to the Spanish Court on 1 March 2018. On 14 March 2018 the Company received confirmation and reported on both the Warsaw and Madrid Stock Exchanges that on 12 March 2018 the Spanish Courts had approved the change of domicile and registered AmRest's domicile in Madrid. The annual reporting for 2017 (for both separate and consolidated financial statements) was prepared in accordance with IFRS and was published on 8 March 2018 in PLN thousands. The decision regarding the change in domicile caused considerations of changing the presentation currency of the Group from PLN to EUR. Taking into account the other matters listed below, the Group decided to change its presentation currency to EUR, as it is a currency that better responds to the needs of users of consolidated financial reports:

- AmRest is a global restaurant operator conducting its activities in many countries and currency zones. A large number of the Group companies use EUR as a functional and presentation currency.
- The vast majority of acquisitions carried out by AmRest are conducted in EUR.
- With the change of domicile the Group will be required to report its financial statements both on the Warsaw Stock Exchange (where it is quoted) and on the Madrid Stock Exchange (where it is domiciled). EUR is a widely used currency for the presentation of financial statements of entities domiciled in Spain.
- The Warsaw Stock Exchange allows reports to be published in EUR.
- EUR is widely used in financial reporting, especially by entities domiciled in the European Union.
- The long-term development plan includes investments in Western Europe where EUR is a functional currency.
- The Group also changed its internal reporting to EUR.

The change in presentation currency under IFRS is being considered as a change in the accounting policy and should be applied retrospectively. The change in presentation currency has had no impact on assets, liabilities and total equity but impacts the translation of the specific equity positions.

For the purpose of comparative translation data the following rules were applied:

- For share capital, which is actually issued in EUR – historical values in EUR were assigned. The share capital value is not material.
- For share premium items historical movements were analysed. Material share capital increases were translated using historical exchange rates from the transaction date.
- Treasury share transactions since 2015 have been recalculated for all movements. FIFO is used for treasury share disposals. Consequently, treasury shares were translated into EUR using historical costs.
- For share-based payments ("SBP") transactions recognised in 2015 and thereafter an average exchange rate for each year (2015- 2016) or for each quarter (2017) was applied.
- Non-controlling interest transactions were recognised at historical exchange rate.
- For the translation of profit or loss positions and retained earnings recognised in 2015 and previously an average exchange rate for each quarter was applied and for those recognised in 2016 and 2017 a monthly exchange rate was applied for each Group company. As a consequence, quarterly consolidated data for each line of the income statements are effectively translated using different exchange rates.
- As a result of the above transactions a new balance for the currency translation reserve was determined. Exchange differences needed to be established as new, for Group operations where the functional currency is other than the EUR. Differences between currency translation reserves were recognised in other comprehensive income.
- The closing rate was applied for the translation of all the assets and liabilities.
- Cash flow positions referring to profit and loss positions were translated using the monthly average exchange rate for each company. Historical exchange rates were applied for those positions referring to acquisitions and a quarterly average exchange rate was applied for all other positions. The difference resulting from the translation of cash flow was presented in the effect of foreign exchange rate movements.

Subsequently, in order to improve the presentation of information and make it clearer, data was aggregated into EUR million with one decimal place.

A summary of restatements regarding the changes described above was presented in the table at the end of the this note.

b. New standards, interpretations and amendments adopted by the Group

▪ IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

All financial instruments in the Group's consolidated statement of financial position as at 1 January 2018 are classified as measured at amortised cost and the adoption of IFRS 9 did not bring significant changes in the value of those financial instruments. As a consequence, there were no presentation or valuation changes in the consolidated balance sheet. In accordance with standard requirements in the consolidated income statement a new line was added called "Net impairment losses on financial assets".

The Group's financial assets and financial liabilities as at 1 January 2018 are presented in the table below:

	Measurement category		Carrying amount	
	Original (IAS 39)	**New (IFRS 9)**	**Orginal**	**New**
Financial assets:				
Rental deposits	Amortised cost	Amortised cost	18.8	18.8
Trade and other receivables	Amortised cost	Amortised cost	21.4	21.4
Cash and cash equivalents	Amortised cost	Amortised cost	131.2	131.2
Total financial assets			**171.4**	**171.4**
Financial liabilities:				
Bank loans, bonds, SSD	Other financial liabilities: amortised cost	Other financial liabilities: amortised cost	471.6	471.6

(all figures in EUR millions unless stated otherwise)

	Measurement category		Carrying amount	
	Original (IAS 39)	**New (IFRS 9)**	**Orginal**	**New**
Finance lease liabilities	Other financial liabilities: amortised cost	Other financial liabilities: amortised cost	2.1	2.1
Trade and other payables	Other financial liabilities: amortised cost	Other financial liabilities: amortised cost	126.2	126.2
Total financial liabilities			**599.9**	**599.9**

Additional information about how the Group measures the allowance for impairment is described in note 37.

The Group applied hedge accounting prospectively. At the date of the initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. As the Group uses net investment hedges, the adoption of the hedge accounting requirements of IFRS 9 had no significant impact on the Group's financial statements or on the accounting policy.

In 2017 the Group refinanced one of its borrowings with no change in the maturity date. Two out of four lenders were changed. The existing debt was de-recognised and a new one was recognised. There is no difference to the approach under IFRS 9.

The accounting policy adopted by the Group is described in note 40.

▪ IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 sets out a five-step model to account for revenue arising from contracts with customers and requires revenue to be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Revenue streams:

- Restaurant sales: revenues from the sale of goods by owned restaurants are recognised as Group sales when a customer purchases the goods, which is when our obligation to perform is met,
- Franchise and other sales: revenue from the master-franchise agreements (the right to grant a license to third parties) and franchise of own brands.

Material revenue streams at the date of initial application:

- Royalty fees (based on percentage of the applicable restaurant sales) - recognised as the related sales occur,
- Revenue from sale of products to franchisees - recognised at the moment of the transaction which is when our obligation to perform is met,
- Initial fees - the Group analyses if the activities performed are different to the franchise brand. If they do not represent the separate performance obligation they are recognised on a straight-line basis over the contract duration. If they represent a separate obligation, the Group estimates the allocation of the part of the transaction price to that performance obligation.

IFRS 15 did not have a significant impact on the Group's accounting policies for the revenue streams described above, except for initial fees. Before 1 January 2018 the Group recognised initial fees paid by La Tagliatella franchisees at the moment when all critical agreements in the contract areas were covered for the purpose of restaurant openings. The recognition under IFRS 15 is described above. Therefore, under IFRS 15 revenue is recognised later than under IAS 18. The impact of these changes other than on revenue is an increase in deferred income, which is now included as a separate line under Trade and other accounts payable – contract liability. The total value of the adjustment amounted to EUR 2.3 million. There was no material impact on the Group's consolidated annual income statement and cash flows for the year ended 31 December 2018.

(all figures in EUR millions unless stated otherwise)

Contract liabilities that result mainly from customer loyalty programs and gift cards were presented applying the materiality concept under Trade and other accounts payables in the consolidated statement of financial position (note 31).

The following table summarizes the impact of the transition to IFRS on the statement of financial position as at 1 January 2018:

	31 December 2017 (restated)	**IFRS 15**	**1 January 2018** (restated)
Equity			
Retained earnings	190.8	(2.3)	188.5
Liabilities			
Trade and other payables	188.7	2.3	191.0
Total equity and liabilities	**379.5**	**-**	**379.5**

Details of the accounting policy relating to revenue recognition are described in note 40.

IFRS 15 requires a disaggregation of revenue in different categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. However, taking into account the nature of revenue streams the Group does not see any reason to present a more detailed disaggregation of revenue than that described above and presented in the segment note.

▪ Other newly applied and amended standards

The amendments and interpretations listed below were applied in 2018 and had no significant impact on the accounting policies applied.

Amendments to IFRS 15, Revenue from Contracts with Customers

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 goods or services to a customer) in a contract; how to determine whether a company is a principal (the provider of goods or services) or an agent (responsible for arranging for the goods or services to be provided); and how to determine whether the revenue from granting a license should be recognised at a specific point in time or over time.

Amendments to IFRS 2, Share-based Payments

The amendments mean that non-market performance vesting conditions will have an impact on the 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 are 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.

Amendments to IAS 40: Transfers of Investment Property

The amendments clarify the requirements regarding transfers to, or from, investment property in respect of property under construction.

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 be used 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.

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 IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

c. Final acquisition accounting of business combinations

Entrance into KFC German restaurant market: acquisition of KFC restaurants

In the first quarter of 2018 the AmRest Group finalised the process tax settlement of the acquisition of 15 KFC restaurants operating in the German market and completed the purchase price allocation process.

Description of the acquisition

On 30 November 2016 AmRest signed an assets sale and purchase agreement (the "APA") between AmRest and Kentucky Fried Chicken (Great Britain) Ltd., German Branch. Under the terms of the APA AmRest acquired 15 KFC restaurants operating in the German market. Completion was contingent upon some additional conditions, including obtaining antitrust approvals, concluding additional agreements ensuring the proper functioning of restaurants after Completion, and lack of the material adverse change.

On 1 March 2017 the transaction was completed and from this date AmRest DE Sp. z o.o. & Co. KG became the operator of 15 KFC restaurants in Germany. The acquisition price amounted to EUR 10.3 million.

Apart from the purchase price paid, as stated above, the Group incurred costs of initial fees for all new stores in a total value of EUR 0.7 million. Initial fees paid were recognised as intangible assets on the acquisition date.

Allocation of the acquisition price

Estimates made and assumptions used (relating to the most significant assets such as fixed assets and intangible assets, as well as deferred tax assets) were verified by an independent entity specializing in such valuations.

The fair value of goodwill and deferred tax assets presented in the acquisition note in the annual consolidated financial statements as at 31 December 2017 was adjusted: goodwill was decreased by EUR 0.1 million and deferred tax assets were increased by EUR 0.1 million. The fair value of other net assets was not changed.

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

Adjustments introduced did not materially affect the comparative data presented in these Consolidated Financial Statements for the consolidated statement of comprehensive income; cash flows from operating, investing and financing activities in the consolidated cash flow statement and earnings per share. Therefore, the data was not restated. The consolidated statement of financial position as at 31 December 2017 was adjusted to reflect the final purchase price allocation figures.

Entrance into French restaurant market: acquisition of Pizza Hut Delivery operator

In the second quarter of 2018 the Group finalised the process of allocating the acquisition price to the purchased assets and acquired liabilities.

Description of the acquisition

On 16 May 2017 AmRest completed the Share Purchase Agreement ("SPA") between AmRest and Top Brands NV and thereby acquired 100% shares of Pizza Topco France SAS (currently AmRest Topco France SAS).

As part of the transaction the master franchisee agreement was also signed, under which AmRest becomes the exclusive master-franchisee and has the right to grant the license to third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise) in France and Monaco.

Allocation of the acquisition price

The table below presents a comparison of the preliminary purchase price allocation as presented in the annual consolidated financial statements for the year ended 31 December 2017, together with finally determined values.

Pizza TopCo France SAS (currently AmRest Topco France SAS)	**Preliminary fair value EUR million**	**Final fair value EUR million**
Cash and cash equivalents	0.8	0.8
Property, plant and equipment	1.1	0.4
Intangible assets	6.2	6.2
Other non-current assets	0.1	0.1
Trade and other receivables	1.5	1.3
Inventories and other current assets	0.7	0.7
Deferred tax liabilities	(2.0)	(1.8)
Provisions	(0.4)	(0.4)
Trade and other payables	(3.3)	(3.3)
Net assets acquired	**4.7**	**4.0**
Acquisition price	12.8	12.8
Less net assets acquired and liabilities assumed	4.7	4.0
Goodwill	**8.1**	**8.8**
Amount paid in cash	12.8	12.8
Acquired cash and cash equivalents	0.8	0.8
Cash outflows on acquisition	**12.0**	**12.0**

As part of the final purchase price process allocation the Group has in particular verified the fair values of property plant and equipment and trade receivables acquired. Based on the purchase agreement, the Group did not acquire some of the receivables from sub-franchisees that arose prior to the takeover of control by AmRest. The Group is required to periodically verify the cash inflows from settling these invoices, and reimburse to the previous owner of the PH France business.

In the purchase price process the Group has recognised the value of intangible assets related to exclusive rights of the master-franchisee on the French market in the Delivery and Express area. The total fair value amounted to EUR 6 million. An asset is amortised over their useful life of 10 years.

Estimates made and assumptions used are verified by an independent entity specialising in such valuations. Deferred tax liabilities were also recognised on respective temporary differences between tax and accounting values.

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

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

Adjustments introduced did not materially affect the comparative data presented in these Consolidated Annual Financial Statements for the consolidated statement of comprehensive income; cash flows from operating, investing and financing activities in the consolidated cash flow statement and earnings per share. Therefore, the data was not restated. Consolidated statements of financial position as at 31 December 2017 were adjusted to reflect final purchase price allocation figures.

Entrance into KFC French restaurant market: AmRest Opco SAS Group – changes in the purchase price allocation process

In the fourth quarter of 2018 the Group finalised the process of allocating the acquisition price to the purchased assets and acquired liabilities of KFC France restaurants.

Allocation of the acquisition price

Note 6 presents the final accounting for the whole transaction of entering into the KFC France restaurant business. This acquisition consisted of over 40 restaurants taken over separately over a period of more than 6 months. The majority of restaurants were taken over in 2017, and accounted for provisionally as at 31 December 2017.

The table below presents a comparison of the preliminary purchase price allocation as presented in the annual consolidated financial statements for the year ended 31 December 2017 and the finally determined values for part of the KFC France acquisition.

AmRest Opco SAS Group	**Preliminary fair value EUR million**	**Final fair value EUR million**
Cash and cash equivalents	0.1	0.1
Property, plant and equipment	30.0	32.0
Intangible assets	1.8	1.8
Inventories	0.6	0.6
Asset related to right to compensation resulting from the acquisition agreement	3.5	3.5
Employee related accruals	(3.5)	(3.5)
Deferred tax asset	-	2.4
Provisions	-	(1.0)
Net assets acquired	**32.5**	**35.9**
Acquisition price	42.3	43
Less net assets acquired and liabilities assumed	32.5	35.9
Goodwill	**9.8**	**7.1**
Amount paid in cash	42.3	42.3
Acquired cash and cash equivalents	0.1	0.1
Cash outflows on acquisition	**42.2**	**42.2**

The fair value of net assets was adjusted by EUR 3.4 million, due to the identification of provisions for estimated costs of bringing the location to the condition it had been in before, as a lease agreement was signed amounting to EUR 1 million and a value adjustment was made of recognised property plant and equipment amounting to EUR 2 million. Deferred tax assets, which were not accounted for in the provisional purchase price allocation, amounting to EUR 2.4 million were also recognised in the respective temporary differences between tax and accounting values.

As a result of the final identification and verification of the fair value of net assets, as well as the adjusted purchase price, goodwill has decreased by EUR 2.7 million.

The recognition of the final purchase price allocation also resulted in adjusting values of other intangible assets (which have increased by EUR 1.1 million) and trade and other payables (which have increased by EUR 2 million). This illustrates the effect of verifying and recognizing additional accruals for payables for property, plant and equipment, as well as the final identification of intangible assets assigned to stores already opened, which were previously not identified and included in goodwill.

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

Adjustments introduced did not materially affect the comparative data presented in these consolidated annual financial statements for the consolidated annual income statement; cash flows from operating, investing and financing activities in the consolidated annual statement of cash flows and earnings per share. Therefore, this data was not restated. The consolidated annual statements of financial position as at 31 December 2017 were adjusted to reflect final purchase price allocation figures.

Entrance into KFC Russia restaurant market

In the fourth quarter of 2018 the Group finalised the process of allocating the acquisition price to the purchased assets and acquired liabilities of the KFC Russia restaurant market.

Description of the acquisition

On 2 October 2017 the Group acquired 100% of the shares in Chicken Yug OOO from Ms. Svetlana Mikhailovna Popova. The initially agreed purchase price amounted to EUR 24.5 million (RUB 1 655 million) and was increased by EUR 0.6 million (RUB 38.5 million) due to the acquisition of additional assets.

As a result of the above mentioned transaction the Group has strengthened its presence on the Russian market by adding 22 restaurants to its existing portfolio and accelerating the development of the KFC brand.

Allocation of the acquisition price

The Group finalised the purchase price allocation process and did not identify any additional adjustments to the preliminary reconciliation presented in prior reporting. Consequently, the final purchase price allocation did not result in a restatement of the comparative statement of financial position, income statements or cash flow statements.

The fair value of acquired property, plant and equipment was recognise based on an external construction company valuation and equipment was valued by an independent certified agency. The Group did not identify any additional intangible assets acquired in the transaction to be recognised, other than those that were previously recognisedre by the acquiree.

The purchase price allocation process was disclosed in the consolidated financial statements for the year ended 31 December 2017 which were published in Polish Zloty. Below is the relevant note presenting the fair value of the acquired net assets, goodwill and acquisition price at the acquisition date in EUR million:

Chicken Yug OOO	**31 December 2017 Fair value (RUB million)**	**31 December 2017 Fair value (EUR million)**
Cash and cash equivalents	0.6	0.0
Property, plant and equipment	228.0	3.4
Intangible assets	42.0	0.6
Other non-current assets	14.7	0.2
Inventories	22.7	0.3
Other current assets	10.6	0.2
Deferred tax liabilities	(33.7)	(0.5)
Net assets acquired	**284.9**	**4.2**
Acquisition price	1 693.9	25.1
Less net assets acquired and liabilities assumed	284.9	4.2
Goodwill	**1 408.9**	**20.9**
Amount paid in cash	1 693.9	25.1
Acquired cash and cash equivalents	0.6	0.0
Cash outflows on acquisition	**1 693.3**	**25.1**

The purchase price does not include the contingent consideration element. Acquisition-related costs for the transaction amounted to EUR 0.5 million.

The goodwill is attributable mainly to the workforce, good profitability of the acquired business and the synergies expected to be achieved from integrating the acquired business into the Group's already existing KFC business in Russia.

The goodwill recognised is not expected to be deductible for tax purposes.

The goodwill has been allocated to the KFC Russia business and is being tested for impairment together with previously recognised goodwill and already the existing KFC Russia business. The annual impairment test performed at 2018 year end did not result in any goodwill impairment losses.

Entrance into other markets in Poland and Germany.

In the third and fourth quarters of 2018 the Group finalised the process of allocating the acquisition price to the purchased assets and liabilities for the below mentioned transactions.

Description of the acquisition

On 31 July 2017 the AmRest Group signed a Master Franchise Agreement ("MFA") with Yum Restaurants International Holdings, LLC and acquired two Pizza Hut delivery restaurants based on the Asset Purchase Agreement ("APA") with Pizza Hut Delivery Germany GmbH. The purchase price amounted to EUR 1. This transaction was accounted for as an asset deal as at 31 December 2017.

Business combinations:

- On 1 August 2017 the AmRest Group acquired 3 KFC restaurants in Germany, and the purchase price amounted to EUR 1.7 million.
- On 31 August 2017 the AmRest Group took over the newly issued shares in Restaurant Partner Polska Sp. z o.o. (hereinafter referred to as RPP) – the operator of the PizzaPortal.pl platform in Poland and became its majority shareholder with 51% of total RPP shares. The outstanding 49% of shares remained in the possession of Delivery Hero. The acquisition price for the 51% of shares in the RPP was agreed at approximately EUR 2.4 million (PLN 10.1 million). In addition, the parties of the Shareholders Agreement committed to make an investment in the RPP for an amount of EUR 3.3 million (PLN 14 million, PLN 7 million each) in the first quarter of 2018 – (payments were made in full amounts in December 2017 and January 2018).
- On 18 October 2017 the AmRest Group signed an agreement with Autogrill Polska Sp. z o.o. (hereinafter ATG) for the purchase of 6 restaurants. The purchase price amounted to EUR 1.9 million(approx. PLN 8 million).

Allocation of the acquisition price

In the third and fourth quarters of 2018 the Group finalised the process of allocating the acquisition price to the purchased assets and liabilities for the below mentioned transactions:

- Acquisition of 3 KFC restaurants in Germany acquired on 1 August 2017 (purchase price of EUR 1.7 million) and acquisition of 6 restaurants from Autogrill Polska Sp. z o.o. on 18 October 2017 (purchase price of EUR 1.9 million). There was no difference to the amounts presented in the Group's annual consolidated financial statements for 2017.

- Acquisition of 51% of shares in the Restaurant Partner Polska Sp. z o. o. (the operator of the PizzaPortal.pl platform in Poland), for a purchase price of EUR 2.4 million (PLN 10.1 million). In the final purchase price allocation process the Group has specifically verified the fair values of the brand and customer and restaurant databases. The final fair value of the brand amounted to EUR 0.9 million (PLN 3.9 million), and the final fair value of the customer and restaurant databases amounted to EUR 0.9 million (PLN 3.9 million). NCI amounted to EUR 1.6 million (PLN 6.9 million) and was measured at a proportionate share of the acquiree's net identifiable assets. Estimates made and assumptions used were verified by an independent entity specializing in such valuations. Deferred tax liabilities were also recognised in respective temporary differences between tax and accounting values. The fair value of goodwill, intangible assets and deferred tax assets presented in the acquisition note in the annual consolidated financial statements as at 31 December 2017 was adjusted: goodwill was decreased by EUR 0.5 million (PLN 2.1 million), intangible assets were increased by EUR 1.1 million (PLN 4.8 million) and deferred tax liability rose by EUR 0.2 million (PLN 0.9 million). The fair value of other net assets remained the same. The adjustments introduced did not materially affect the comparative data for the consolidated statement of comprehensive income; cash flows from operating, investing and financing activities in the consolidated cash flow statement and earnings per share. Therefore, the data was not restated.

d. Summary of restatements:

A summary of restatements regarding the changes described above, i.e.:

- Change in the presentation currency,
- Change in the level of aggregation,
- Change in the purchase price allocation process.

is presented in the tables below.

Consolidated income statement effect of change in presentation currency

	year ended	
	31 December 2017	**31 December 2017**
	Published PLN thousand	Restated EUR million
Continuing operations		
Restaurant sales	4 943 953	1 162.3
Franchise and other sales	321 554	75.6
Total revenue	**5 265 507**	**1 237.9**
Restaurant expenses:		
Food and merchandise	(1 440 242)	(338.5)
Payroll, social security and employee benefits	(1 200 058)	(282.1)
Royalties	(252 444)	(59.4)
Occupancy and other operating expenses	(1 505 513)	(353.9)
Franchise and other expenses	(213 821)	(50.3)
General and administrative expenses	(387 221)	(91.1)
Total operating costs and losses*	**(4 999 299)**	**(1 175.3)**
Net impairment losses on financial assets*	(8 103)	(1.9)
Net impairment losses on other assets*	(24 749)	(5.9)
Other operating income	33 526	7.9
Profit from operations	**266 882**	**62.7**
Finance costs	(59 633)	(14.0)
Finance income	3 397	0.8
Profit before tax	**210 646**	**49.5**
Income tax	(29 317)	(6.8)
Profit for the period	**181 329**	**42.7**
Attributable to:		
Shareholders of the parent	182 281	42.9
Non-controlling interests	(952)	(0.2)

**Minor changes in presentation reflected*

Consolidated statement of comprehensive income effect of change in presentation currency

	year ended	
	31 December 2017	**31 December 2017**
	Published PLN thousand	Restated EUR million
Profit for the period	181 329	42.7
Other comprehensive income		
Exchanges differences on translation of foreign operations	(147 564)	(16.9)
Net investment hedges	51 789	12.1
Income tax related to net investment hedges	(9 840)	(2.3)
Total items that may be reclassified to income statement	(105 615)	(7.1)
Other comprehensive income	**(105 615)**	**(7.1)**
Total comprehensive income	**75 714**	**35.6**
Attributable to:		
Shareholders of the parent	**85 900**	**38.2**
Non-controlling interests	**(10 186)**	**(2.6)**

Consolidated statement of financial position effect of change in presentation currency and final PPA recognition

	31 December 2017				
	Published	**Adjustment 1**	**Adjustment 2**	**Adjustment 3**	**Restated**
	PLN thousand	EUR million	EUR million	EUR million	EUR million
Assets					
Property, plant and equipment	1 690 155	404.6	-	1.4	406.0
Goodwill	909 310	217.7	-	(2.6)	215.1
Other intangible assets	612 690	146.7	-	2.2	148.9
Investment properties	22 152	5.3	-	-	5.3
Other non-current assets	95 853	22.9	-	-	22.9
Deferred tax assets	59 302	14.2	-	2.5	16.7
Total non-current assets	**3 389 462**	**811.4**	**-**	**3.5**	**814.9**
Inventories	93 628	22.4	-	-	22.4
Trade and other receivables	162 004	38.8	-	(0.1)	38.7
Corporate income tax receivables	4 174	1.0	-	-	1.0
Other current assets	121 571	29.1	-	-	29.1
Cash and cash equivalents	548 248	131.2	-	-	131.2
Total current assets	**929 625**	**222.5**	**-**	**(0.1)**	**222.4**
Total assets	**4 319 087**	**1 033.9**	**-**	**3.4**	**1 037.3**
Equity					
Share capital	714	0.2	-	-	0.2
Reserves	606 366	145.2	7.1	-	152.3
Retained earnings	837 301	200.4	(9.6)	-	190.8
Translation reserve	(133 917)	(32.1)	2.5	-	(29.6)
Equity attributable to shareholders of the parent	**1 310 464**	**313.7**	**-**	**-**	**313.7**
Non-controlling interests	35 184	8.4	-	0.5	8.9
Total equity	**1 345 648**	**322.1**	**-**	**0.5**	**322.6**
Liabilities					
Interest-bearing loans and borrowings	1 811 975	433.8	-	-	433.8
Finance lease liabilities	7 001	1.7	-	-	1.7
Employee benefits liability	12 488	3.0	-	-	3.0
Provisions	39 543	9.4	-	0.9	10.3
Deferred tax liability	114 242	27.3	-	-	27.3
Other non-current liabilities	24 508	5.9	-	-	5.9
Total non-current liabilities	**2 009 757**	**481.1**	**-**	**0.9**	**482.0**
Interest-bearing loans and borrowings	157 880	37.8	-	-	37.8
Finance lease liabilities	1 777	0.4	-	-	0.4
Trade and other accounts payable	779 839	186.7	-	2.0	188.7
Corporate income tax liabilities	24 186	5.8	-	-	5.8
Total current liabilities	**963 682**	**230.7**	**-**	**2.0**	**232.7**
Total liabilities	**2 973 439**	**711.8**	**-**	**2.9**	**714.7**
Total equity and liabilities	**4 319 087**	**1 033.9**	**-**	**3.4**	**1 037.3**

Adjustment 1 - translated at the exchange rate of ECB PLN/EUR 4.1770 and divided by 1000.

Adjustment 2 - effect of the retranslation from PLN as presentation currency into EUR as presentation currency based on the historical and average FX rates as applicable.

Adjustment 3 – final recognition of PPA's.

Consolidated statement of financial position effect of change in presentation currency

			1 January 2017	
	Published	**Adjustment 1**	**Adjustment 2**	**Restated**
	PLN thousand	EUR million	EUR million	EUR million
Assets				
Property, plant and equipment	1 343 738	304.7	-	304.7
Goodwill	777 508	176.1	-	176.1
Other intangible assets	617 327	139.6	-	139.6
Investment properties	22 152	5.0	-	5.0
Other non-current assets	62 503	14.2	-	14.2
Investment in associates	888	0.2	-	0.2
Deferred tax assets	44 834	10.2	-	10.2
Total non-current assets	**2 868 950**	**650.0**	**-**	**650.0**
Inventories	82 086	18.6	-	18.6
Trade and other receivables	99 384	22.5	-	22.5
Corporate income tax receivables	12 797	2.9	-	2.9
Other current assets	102 898	23.3	-	23.3
Cash and cash equivalents	291 641	66.1	-	66.1
Total current assets	**588 806**	**133.4**	**-**	**133.4**
Total assets	**3 457 756**	**783.4**	**-**	**783.4**
Equity				
Share capital	714	0.2	-	0.2
Reserves	648 886	147.1	15.60	162.7
Retained earnings	655 020	148.5	(0.6)	147.9
Translation reserve	4 413	0.8	(15.9)	(15.1)
Equity attributable to shareholders of the parent	**1 309 033**	**296.6**	(0.9)	**295.7**
Non-controlling interests	67 577	15.3	0.9	16.2
Total equity	**1 376 610**	**311.9**	-	**311.9**
Liabilities				
Interest-bearing loans and borrowings	1 039 033	235.3	-	235.3
Finance lease liabilities	7 880	1.8	-	1.8
Employee benefits liability	19 850	4.5	-	4.5
Provisions	42 346	9.6	-	9.6
Deferred tax liability	117 818	26.7	-	26.7
Other non-current liabilities	8 429	1.9	-	1.9
Total non-current liabilities	**1 235 356**	**279.8**	**-**	**279.8**
Interest-bearing loans and borrowings	223 255	50.6	-	50.6
Finance lease liabilities	1 636	0.4	-	0.4
Trade and other accounts payable	613 093	138.9	-	138.9
Corporate income tax liabilities	7 806	1.8	-	1.8
Total current liabilities	**845 790**	**191.7**	**-**	**191.7**
Total liabilities	**2 081 146**	**471.5**	**-**	**471.5**
Total equity and liabilities	**3 457 756**	**783.4**	**-**	**783.4**

Adjustment 1 - translated at the exchange rate of ECB PLN/EUR 4.4103 and divided by 1000.

Adjustment 2 - effect of the retranslation from PLN as presentation currency into EUR presentation currency based on the historical and average FX rates as applicable.

Consolidated statement of cash flows effect of change in presentation currency

	year ended	
	31 December 2017	**31 December 2017**
	Published PLN thousand	Restated EUR million
Cash flows from operating activities		
Profit before tax from continued operations	210 646	49.5
Adjustments for:		
Amortisation	42 134	9.9
Depreciation	288 357	67.8
Interest expense, net	43 125	10.1
Foreign exchange result	3 549	0.8
Loss on disposal of property, plant and equipment and intangibles	4 062	1.0
Impairment of property, plant and equipment and intangibles	24 744	5.9
Share-based payments expenses	21 569	5.1
Other	5 171	1.3
Working capital changes:		
Increase in trade and other receivables	(58 349)	(13.8)
Increase in inventories	(10 088)	(2.4)
Increase in other assets	(43 073)	(10.2)
Decrease in payables and other liabilities	142 041	33.9
Increase in other provisions and employee benefits	(22 953)	(5.5)
Income taxes paid	(16 122)	(3.8)
Net cash provided by operating activities	**634 813**	**149.6**
Cash flows from investing activities		
Net cash outflows on acquisition	(398 281)	(93.3)
Proceeds from the sale of property, plant and equipment, and intangible assets	2 353	0.6
Acquisition of property, plant and equipment	(527 203)	(124.0)
Acquisition of intangible assets	(56 715)	(13.4)
Net cash used in investing activities	**(979 846)**	**(230.1)**
Cash flows from financing activities		
Proceeds from share transfers (employees options)	4 720	1.0
Expense on acquisition of treasury shares (employees options)	(79 298)	(18.7)
Expense on settlement of employee stock option in cash	(4 025)	(1.0)
Proceeds from loans and borrowings	1 849 536	436.3
Repayment of loans and borrowings	(1 085 838)	(256.4)
Interest paid	(35 211)	(8.3)
Interest received	3 287	0.8
Dividends paid to non-controlling interest owners	(3 726)	(0.9)
Transactions with non-controlling interest	(60 619)	(13.4)
Repayment of finance lease payables	(492)	(0.1)
Net cash provided by financing activities	**587 884**	**139.3**
Net change in cash and cash equivalents	**242 851**	**58.8**
Effect of foreign exchange rate movements	13 756	6.3
Balance sheet change of cash and cash equivalents	256 607	65.1
Cash and cash equivalents, beginning of period	291 641	66.1
Cash and cash equivalents, end of period	**548 248**	**131.2**

42. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

a. IFRS 16 Leases

Application of IFRS 16 will have substantial effect on financial reporting of AmRest Group.

The Group does not expect the adoption of IFRS 16 to impact Group's debt covenants as IFRS 16 impact is excluded from the formulas of covenant calculation.

Standard description

IFRS 16 "Leases" was issued by the IASB in January 2016 and was endorsed by the EU on 31 October 2017. IFRS 16 replaces existing lease guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing discounted obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group is required to adopt IFRS 16 Leases from 1 January 2019.

Leases in AmRest Group

Basic activity of the Group is running restaurant business, in vast majority in a chain of equity restaurants. In current business model the Group rents restaurant premises. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In general the Group's rental agreements may include:

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

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

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

- Variable lease payments may be more or less common,
- Lease term varies depending on the country and business environment,
- Lease contracts may have extension options, that are available for different periods of time,
- Currency of the rental agreement may be different then functional currency of the subsidiary, as lessors often charge the rent based on EUR or USD.

Impact of the IFRS 16 on the Group's accounting policies

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

Under IFRS 16 "Leases", the Group will recognise new assets and liabilities for its operating leases (see note 33). The nature of expenses related to those leases will change. Each lease payment will be allocated between the liability reduction and finance cost. The finance cost will be charged to profit or loss over the lease period. The right-of-use asset will be depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

Consequently with an each new lease agreement the Group will recognise a new asset and liability on its balance sheet. The Group will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability will be recognised as an adjustment to the right-of-use asset i.e. with no impact on income statement.

Implementation of IFRS 16 in the Group

The Group performed a detailed impact assessment which resulted in a group wide implementation project, including identification of leases and areas of complexity or judgement, collection of lease data and its revision, changes in systems and processes for internal and external reporting, and the development of estimates.

As a result of the lease identification project, the Group concluded that it acts as a lessee of a large number of real estate assets under operating lease. Apart from the premises for restaurant operations, the Group identified other lease contracts that would have a much less significant impact on the financial statements, for example: lease of company cars, office premises, company flats, low value equipment and vehicles.

When applying IFRS 16 as of 1 January 2019 Group decided to use the modified retrospective approach. Under this approach, on initial recognition, the Group will recognise the same balance of the right-of-use assets and lease liabilities. 2019 financial reporting will not include any restatements of comparative information for lease accounting.

Estimations of the effect on the Group's financial statements

Based on the information currently available, the Group estimates that it would recognise right-of-use assets of approximately EUR 800 million and corresponding lease liabilities for the same amount as at 1 January 2019. Approx. EUR 136 million will be recognised as increase in short-term liabilities, and EUR 664 million as long term liabilities.

The difference between the expected lease liabilities and the amount of future operating lease commitments, disclosed in note 33, results from the application of a discount rate, inclusion of the effect of extension options, exclusion of the leases expiring before 31 December 2019 and the inclusion of a financial lease liability.

As explained earlier, IFRS 16 will change the nature and total balance of operating expenses as well will increase total value of interest charged to income statements. The Group's operating profit will improve, while its interest expense will increase. Application of IFRS 16 will also result in changes in presentation of cash flows, i.e. significantly more cash outflows will be reported as investing cash flows, so that operating cash flows will increase.

In order to facilitate better understanding of impact of IFRS 16 on Group's future consolidated income statement, the Group has prepared a simplified analysis based on following assumptions:

- Rental contracts existing as at 31 December 2018 were considered only,
- The analysis did not take into account the growth of the Group, therefore it should not be used for any future Group results' predictions,
- No changes, terminations, indexations or modifications in rental contracts were assumed;, No cost of turnover rent payments was considered,
- No impact of foreign exchange rates variability was included for contracts denominated in the currencies other than functional currency of the entity,
- Theoretical rental costs under IAS 17 was estimated for year 2019,
- Theoretical depreciation charge an interest costs under IFRS 16 were estimated for year 2019,
- Effect of deferred taxes and income taxes has been ignored,
- Simplified EBITDA ratio was calculated.

Comparison of key elements of the income statements "as if IAS 17" and "as if IFRS 16" applies is presented below:

(all figures in EUR millions unless stated otherwise)

2019 costs based on data as at 31 December 2018	as if IAS 17	as if IFRS 16	Difference
Base rent (occupancy cost)	137.0	-	137.0
Depreciation	-	128.0	(128.0)
Interest cost	-	22.0	(22.0)
Impact on profit before taxes	137.0	150.0	(13.0)
Impact on EBITDA	137.0	-	137.0

The above data a were prepared with only purpose of high level impact assessment disclosures. The Group does not intend to report any updates of the estimations, not comparison to actual results of the above data in 2019 financial reporting.

For some of the Group entities, amount of lease payments is denominated in a different currency than the functional currency of the entity. Upon IFRS 16 implementation the Group will be exposed to higher currency risk due to the revaluation of lease liabilities at each reporting date. The Group prepared high level sensitivity analysis on foreign exchange rates volatility, for the rental contracts existing as at 1 January 2019. Based on this analysis, a 5-per-cent change in exchange rates may result in approx. EUR 8.6 million of financial gains or losses.

Key application methods and judgements

The Group applies IFRS 16 using the modified retrospective approach and plans to use most of available practical expedients on transition, i.e. for non-recognition of leases shorter than 12 months and transferring the amounts of leases previously classified as finance leases. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

IFRS 16 implementation requires using significant judgements in setting a variety of assumptions. The key areas of judgement were as follows:

- Assessing whether the contract contains a lease

The Group applied the identification scheme published in Application Guidance to IFRS 16 (B31), and analyzed mainly the conditions of asset identification and directing the use of the assets. The Group concluded that all significant contracts containing leases under IFRS 16 had been recognised as operating or finance leases under IAS 17.

- Discount rate determination

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. The Group concluded that due to the nature of property rental contracts that rate cannot be determined, and therefore it will use the incremental borrowing rate. The incremental borrowing rate was determined using the cost of the Group's financing. For contracts exceeding the current financing period (longer than 5 years), the Group will apply an average long-term IRS quotation, differentiated by currencies used by the Group, added to the maximum margin available for the Group.

- Determination of the lease term, considering "reasonable certainty" for assessment of extension/early termination options

For certain contracts (mostly in CEE) the Group holds options for extension/termination of the lease period. The Group's practice is to assess the reasonableness of exercising options one year before the decision deadline, because in that time all relevant facts and circumstances to make such a decision can be generally available.

- Non-lease component separation

The Group incurs expenses on maintenance, security and promotion in the shopping malls (so called "common area charges"). The Group decided to separate these services as non-lease components and to recognise them as an operating expense.

b. Other standards

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

The Group will apply the interpretation from 1 January 2019.

The interpretations will not have a significant impact on the consolidated financial statements.

Annual Improvements to IFRSs 2015-2017 cycle

These improvements include:

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. These amendments may apply to future business combinations of the Group.

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

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. These amendments are not currently applicable to the Group but may apply to future transactions.

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

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. These amendments are not expected to have any effect on its consolidated financial statements.

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

Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

The Group will apply the amendments once approved by the European Union. At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

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

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

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

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. These amendments may apply only to any future plan amendments, curtailments, or settlements of the Group.

The Group will apply the standard once approved by the European Union. At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union.

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

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

The amendments are effective from 1 January 2019. Since the Group does not have such long-term interests in its associates and joint ventures, the amendments will not have an impact on its consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

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

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated financial statements of the Group.

The amendments are effective from 1 January 2019. Application of amendments will not have a significant impact on the consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. This standard is not applicable to the Group.

The Group will apply the standard once approved by the European Union. At the date of preparation of these consolidated financial statements, the standard has not yet been approved by the European Union.

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments will be effective from 1 January 2020. The Group has not yet finalised the analysis of the potential impact of the amendments on the consolidated financial statements. At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union.

Amendments to IFRS 3 Business Combinations

Amendments will be effective from 1 January 2020. The Group has not yet finalised the analysis of the potential impact of the amendments on the consolidated financial statements. At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union.

Amendments to IAS 1 and IAS 8: Definition of Material

Amendments will be effective from 1 January 2020. The Group has not yet finalised the analysis of the potential impact of the amendments on the consolidated financial statements. At the date of preparation of these consolidated financial statements, these amendments have not yet been approved by the European Union.

43. Events after the reporting period

In February 2019 AmRest sp. z o.o. received two decisions with regards to VAT inspections for the periods 2012 and January-September 2013. In February AmRest sp. z o.o. also received the information from the Tax Administration Chamber that the proceedings aimed at annulment of the final decision issued by Tax Administration Chamber has been opened due to the severe breach of law done by the Chamber in the decision for VAT inspection for year 2014.

Consequences of the above are described in Note 12.

Signatures of the Board of Directors

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

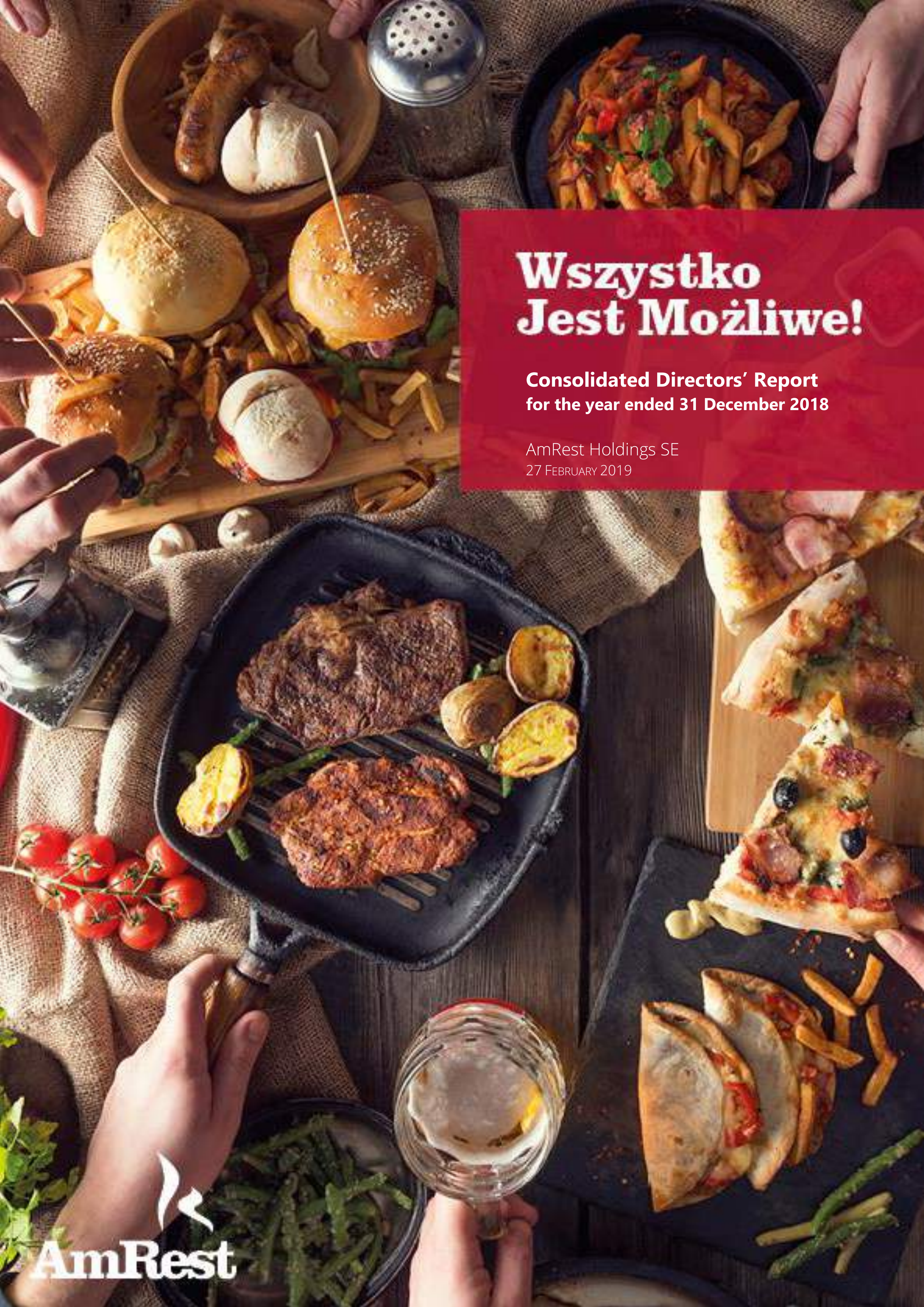
Henry McGovern
Member of the Board

Steven Kent Winegar Clark
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mustafa Ogretici
Member of the Board

Madrid, 27 February 2019



Wszystko Jest Możliwe!

Consolidated Directors' Report
for the year ended 31 December 2018

AmRest Holdings SE
27 February 2019

AmRest

AmRest

CONTENTS

Letter to the shareholders

Dear Shareholders,

It is a pleasure to present the financial report of AmRest Group for 2018. Similar to previous years, we have continued dynamic expansion of the business, strengthening the leadership position in our core markets and marking another milestones on the path to becoming #1 European restaurant operator.

As evidenced by the financial results, AmRest maintained its high growth profile during the last year. With consolidated revenues up by 25% and EBITDA profit higher by 17%, we continued realization of our mid-term vision of doubling the size of the business within three years (2017-2019). Even more, recent developments in the business reinforced our beliefs in continuation of the growth trends beyond 2019. In 2018, AmRest opened unprecedented number of 280 new restaurants and is ready to accelerate the pace of organic expansion. We see substantial space for growth in each major market and we are confident that our teams are capable to support this expansion.

In the past year, AmRest remained active in the area of acquisitions. Through successful completion of M&A projects, the Group entered new categories of sushi and premium burgers, at the same time strengthening its portfolio of proprietary brands. In the future, this should support our plans of expanding the franchise network.

In addition to the investment in proprietary brands, AmRest continued further consolidation of European restaurant markets within the franchise brands. At the same time, we remained focused on the integration of acquired businesses to ensure they can serve as a solid platform for future growth of the Company. In particular, we were pleased to observe Starbucks business in Germany turning positive in Q3 2018 and KFC business in France exceeding our initial expectations. Going forward, we will continue working towards successful turnaround of other recently acquired businesses, unlocking additional synergy effects.

The year 2018 also brought positive developments in digital and delivery segments. The revenues of our aggregator Pizzaportal almost doubled, while delivery service remained the fastest growing part of AmRest. In Poland, the revenues in delivery channel grew by 34% compared to 2017 and we see this solid trend continue. In July 2018 AmRest also invested in Glovo – a leading aggregator in Spanish market. We are happy to be a part of this dynamically growing segment and intend to stay at the forefront of technology innovations in the foodservice industry.

Last November we celebrated the 25th anniversary of AmRest. 25 years of spectacular growth, full of successes and valuable learnings. It is important to realize that today, with more than 2,100 restaurants in 26 countries, AmRest Group is much more than just a restaurant operator. A strong portfolio of multi-brand restaurant operations, well-integrated supply system, growing franchise network as well as recent investments into digital, make us uniquely positioned European foodservice operator. We strongly believe that such a diversified platform is well-positioned to deliver above-industry results in a long term.

As a final note, we would like to recognize the efforts of our Employees, who serve thousands of customers in our restaurants every day. It is thanks to their positive energy, passion for excellence and unmatched hospitality that our guests receive the best-in-class service. Using this opportunity, we would like to thank the whole Team for making AmRest such a great Company. At the same time, we would like to express appreciation to all our Shareholders, who support the Company.

Board of Directors of AmRest Holdings SE

(all figures in EUR millions unless stated otherwise)

Financial highlights (consolidated data)

	year ended		3 months ended	
	31 December 2018	31 December 2017 (*restated**)	31 December 2018	31 December 2017 (*restated**)
Revenue	1 546.9	1 237.9	442.9	359.1
EBITDA**	173.2	148.2	49.3	38.7
EBITDA margin	11.2%	12.0%	11.1%	10.8%
Adjusted EBITDA***	187.8	162.2	56.4	46.5
Adjusted EBITDA margin	12.1%	13.1%	12.7%	13.0%
Operating profit (EBIT)	71.6	62.7	19.6	10.7
Operating margin (EBIT margin)	4.6%	5.1%	4.4%	3.0%
Profit before tax	57.5	49.5	16.2	6.8
Net profit	41.3	42.7	11.1	9.5
Net margin	2.7%	3.4%	2.5%	2.6%
Net profit attributable to non-controlling interests	-1.7	-0.2	-0.6	-0.8
Net profit attributable to equity holders of the parent	43.0	42.9	11.7	10.3
Cash flows from operating activities	163.8	149.6	46.2	58.3
Cash flows from investing activities	-421	-230.1	-277.0	-118.9
Cash flows from financing activities	241.9	139.3	236	74.3
Total cash flows, net	-15.3	58.8	5.2	13.7
Equity (as at 31 December 2018 and 2017 respectively)	430.6	322.6	430.6	322.6
Return on equity (ROE)****	10.0%	13.3%	2.7%	3.2%
Total assets (as at 30 December 2018 and 2017 respectively)	1 441.3	1 037.3	1 441.3	1 037.3
Return on assets (ROA)*****	3.0%	4.1%	0.8%	1.0%
Average weighted number of ordinary shares in issue	213 707 541	212 138 930	218 413 375	212 138 930
Average weighted number of ordinary shares for diluted earnings per shares	213 707 541	212 138 930	218 413 375	212 138 930
Basic earnings per share (EUR)	0.20	0.20	0.05	0.05
Diluted earnings per share (EUR)	0.20	0.20	0.05	0.05
Declared or paid dividend per share	-	-	-	-

**The restatement was described in the note 41 to the Consolidated Annual Financial Statements for 2018.*
*** EBITDA – Operating profit before depreciation, amortization and impairment losses*
**** Adjusted EBITDA – EBITDA adjusted for new openings expenses (Start-up costs), M&A expenses: all material expenses connected with successful acquisition covering professional services (legal, financial, other) directly connected with transaction and effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).*
***** ROE – net profit to equity*
****** ROA – net profit to assets*

(all figures in EUR millions unless stated otherwise)

	As at 31 December 2018	As at 31 December 2017 (*restated**)
Total assets	1 441.3	1 037.3
Total liabilities	1 010.7	714.7
Non-current liabilities	745.4	482.0
Current liabilities	265.3	232.7
Equity attributable to shareholders of the parent	420.7	313.7
Non-controlling interests	9.9	8.9
Total equity	430.6	322.6
Share capital	22.0	0.2
Number of restaurants	2 126	1 639

**The restatement was described in the note 41 to the Consolidated Annual Financial Statements for 2018.*

Group Business Overview

Basic services provided by the Group

AmRest Holdings SE ("AmRest", "Company") with its subsidiaries (the "Group") is one of the leading publicly listed European restaurant operators, present in 26 countries of Europe and Asia. The portfolio of the Group consists of four franchised brands (KFC, Pizza Hut, Starbucks, Burger King) and five proprietary brands (La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop).

As at 31 December 2018, AmRest managed the network of 2 126 restaurants. Given the current scale of the business, every day almost 49 thousand AmRest employees deliver delicious taste and exceptional service at affordable prices, in accordance with the "Wszystko Jest Możliwe!" ("Anything Is Possible!") culture.

Nowadays, the Group manages the network of restaurants across four segments, which are aligned with the main geographical regions of its operations:

1) Central and Eastern Europe ("CEE"), where historically the Company was founded and opened its first restaurant under the name of Pizza Hut; today CEE division covers the region of 10 countries (Poland, Czech Republic, Hungary, Bulgaria, Serbia, Croatia, Romania, Austria, Slovenia and Slovakia) and with 873 restaurants under umbrella it accounts for ca. 45% of revenues of the Group;
2) Russia, where AmRest manages the network of KFC and Pizza Hut restaurants. The segment includes also Pizza Hut restaurants located in Armenia and Azerbaijan;
3) Western Europe ("WE"), a segment which primarily consists of Spain, France and Germany, where both franchised and proprietary brands are operated; as a result of dynamic organic expansion supported by recent acquisitions, division of Western Europe has become a significant operating segment of the Group consisting of 12 countries and generating ca. 35% of AmRest's revenues;
4) China, where the networks of two proprietary brands are operated: Blue Frog and Kabb.

The detailed description of the segments is included in Note 5 of the Consolidated Financial Statements.

The operations of AmRest are well-diversified across four main categories of restaurant industry:

1) Quick Service Restaurants ("QSR"), represented by KFC and Burger King,
2) Fast Casual Restaurants ("FCR"), represented by Pizza Hut Delivery and Express, Bacoa and Sushi Shop,
3) Casual Dining Restaurants ("CDR"), represented by Pizza Hut Dine-in, La Tagliatella, Blue Frog and KABB
4) Coffee category, represented by Starbucks.

Within the current business model of the Group, AmRest operates its network of restaurants as a franchisee (for the brands of KFC, Pizza Hut, Starbucks and Burger King), as well as a brand owner and franchisor (for the brands of La Tagliatella, Blue Frog, Sushi Shop and Bacoa). In addition, within the concepts of Pizza Hut Delivery and Pizza Hut Express the Company acts as a master-franchisee, having the rights to sub-license these brands to third parties.

AmRest restaurants provide on-site catering services, take-away services, drive-in services at special sales points ("Drive Thru"), as well as deliveries of orders placed online or by telephone. Nowadays, food delivery is the fastest growing segment of AmRest operations.

Activity in aggregator area

On 31 March 2017 AmRest signed the Investment Agreement with Delivery Hero GmbH and Restaurant Partner Polska ("RPP"). As a result of the agreement, on 31 August 2017 AmRest acquired 51% of shares in RPP, becoming its majority shareholder. RPP operates a platform of PizzaPortal.pl – an aggregator collecting offers from almost 4 000 different restaurants in ca. 400 cities in Poland and enabling online ordering and subsequent delivery of the meals to the customers.

On 17 July 2018 AmRest signed agreements aimed at becoming co-lead investor in Glovoapp23, S.L., based in Barcelona, Spain. As a result, the Group acquired 10% of total number of Glovo shares (effectively on 23 July 2018). Glovo is one of the key players in digital food delivery on the Spanish market. It is an application that allows to buy, collect and send any product within the same city at a time. With more than 1 million users and more than 5 thousand associated partners, it serves ca. 14 million transactions yearly. In Spain, the service is available in more than 20 major urban areas. Internationally, Glovo operates in the main capital cities in Europe and EMEA, as well as LATAM region.

Structure of revenues

Consolidated revenues of AmRest Group amounted to EUR 1 546.9 million in 2018, which represented a 25% growth compared with the previous year (EUR +309 million). Main drivers of such a dynamic growth were:

- Positive sales trends in comparable restaurants ("LFL") in all major brands and markets of AmRest's operations,
- Accelerated expansion of restaurant network through organic growth. In 2018 AmRest delivered a record-high number of new openings, adding 280 new restaurants to its portfolio (vs 213 in 2017),
- consolidation of revenues from major M&A projects, executed in the years of 2017-2018 (i.e. acquisition of Pizza Hut and KFC businesses in Germany, France and Russia, acquisition of Bacoa brand in Spain, acquisition of Sushi Shop chain and purchase of 51% stake in Pizzaportal.pl). Consolidated revenues of abovementioned businesses amounted to EUR 228 million in 2018.

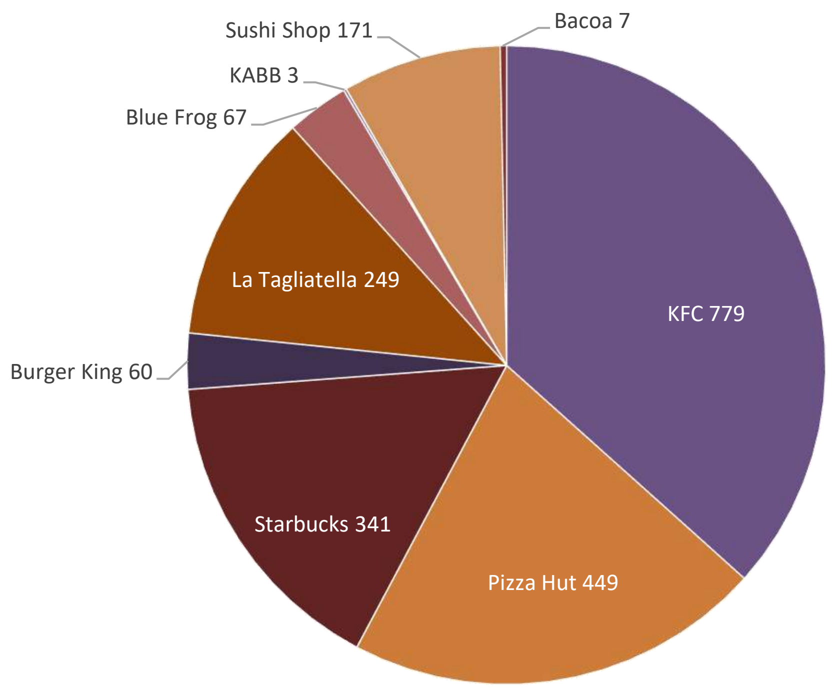
(all figures in EUR millions unless stated otherwise)

	year ended			
	31 December 2018		31 December 2017	
Revenue	Amount	Share	Amount	Share
Central and Eastern Europe	717.6	46.39%	619.2	50.02%
Western Europe	569.8	36.83%	400.4	32.35%
Russia	168.6	10.90%	142.4	11.50%
China	73.6	4.76%	62.3	5.03%
Other*	17.3	1.12%	13.6	1.10%
Total	**1 546.9**	**100.00%**	**1 237.9**	**100.00%**

**Revenues of SCM Group and Pizzaportal.pl*

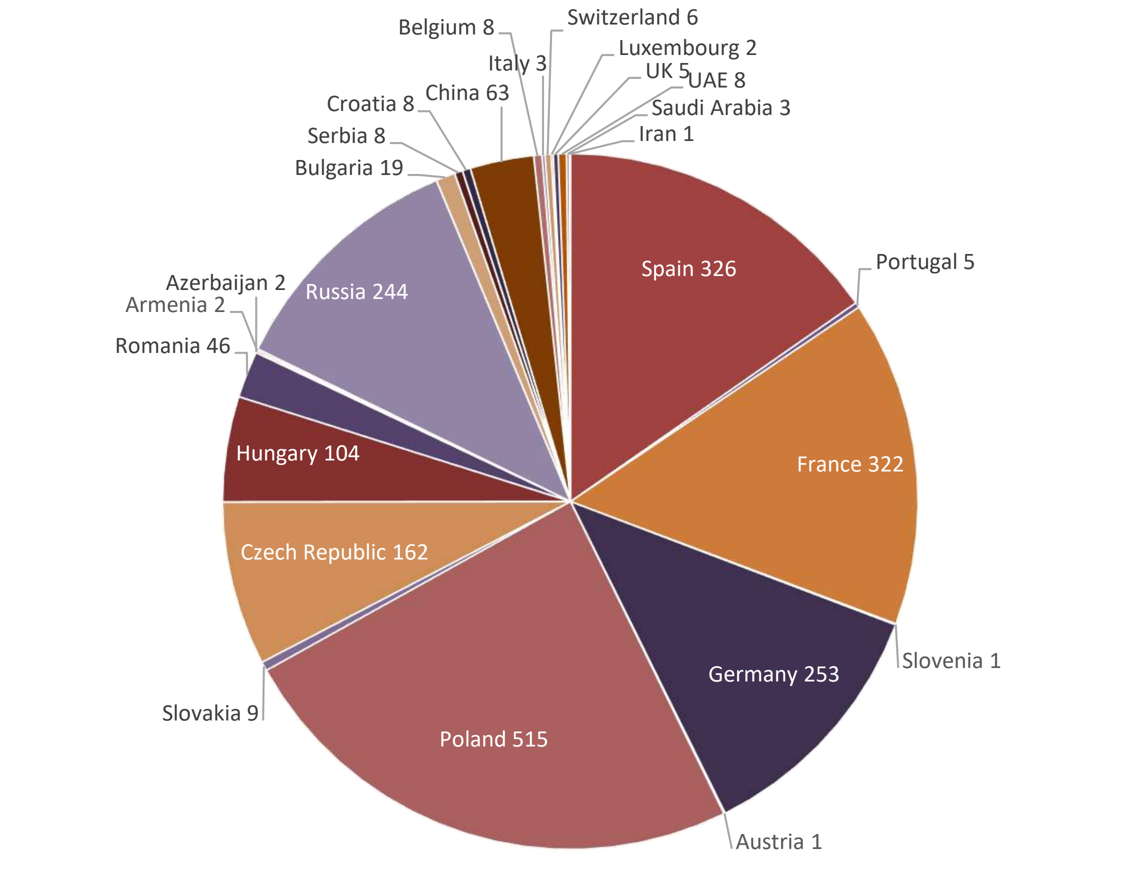
The seasonality of sales and inventories of AmRest Group is not significant which is typical for the whole restaurant industry. In the CEE region restaurants achieve lower revenues in the first half of the year, which is the result of lower number of days of sales in February as well as relatively less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

Number of AmRest restaurants broken down by brands as at 31 December 2018*



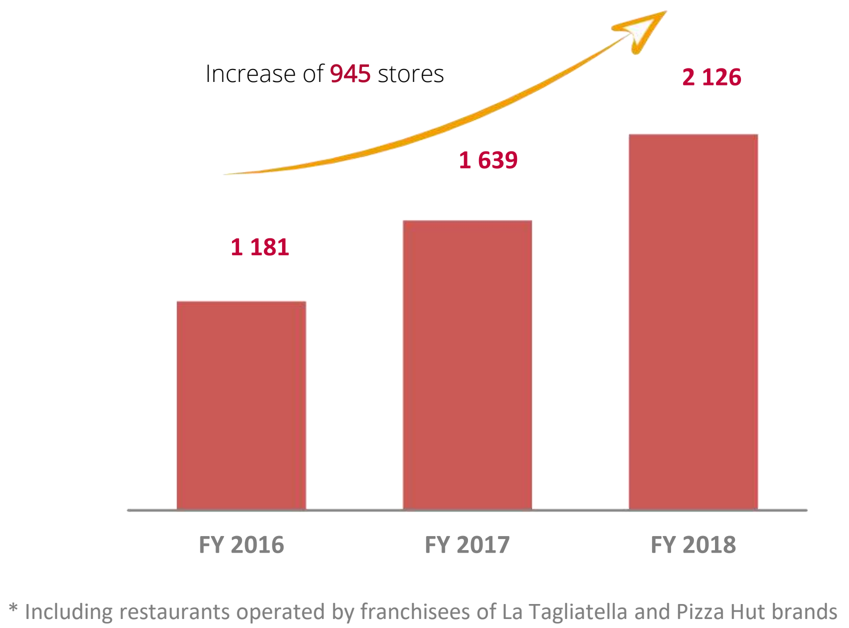
** Including restaurants operated by franchisees of La Tagliatella, Pizza Hut, Bacoa and Sushi Shop brands.*

Number of AmRest restaurants broken down by countries as at 31 December 2018*



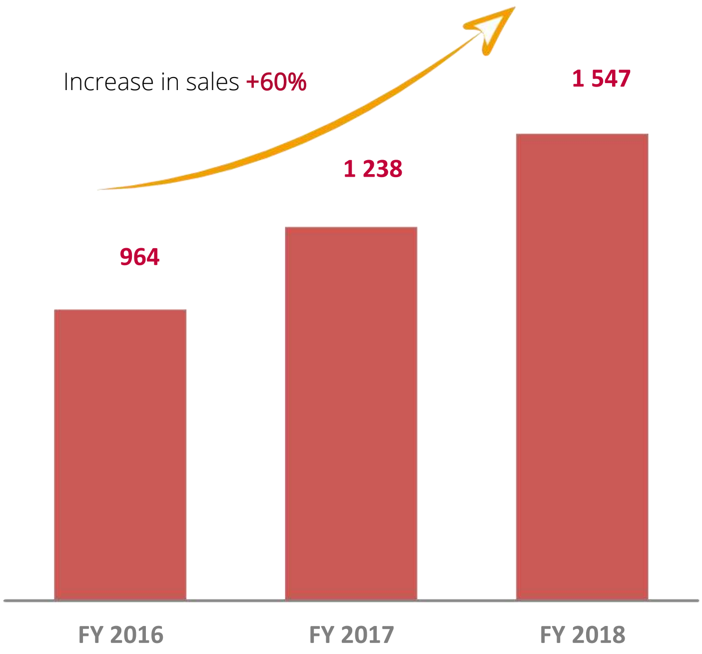
** Including restaurants operated by franchisees of La Tagliatella, Pizza Hut, Bacoa and Sushi Shop brands.*

Number of AmRest Group restaurants as at 31 December 2016-2018

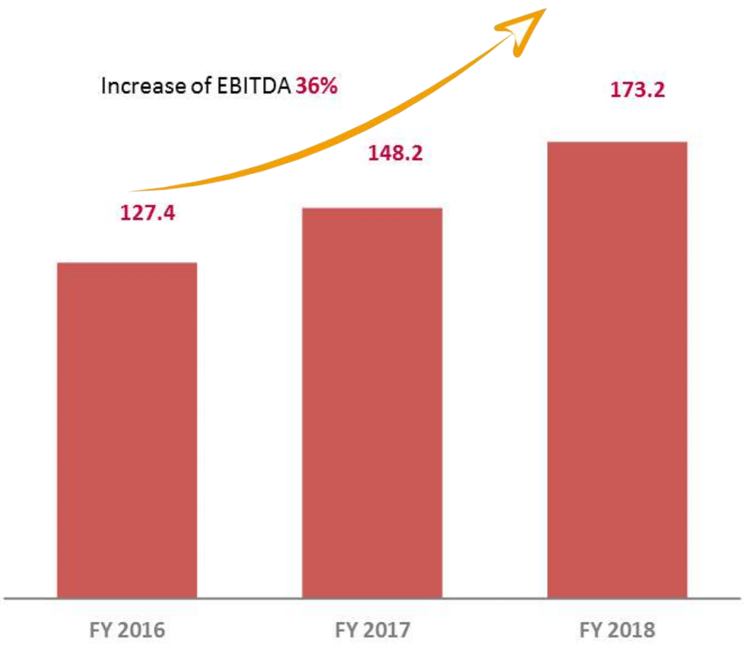


** Including restaurants operated by franchisees of La Tagliatella and Pizza Hut brands.*

The AmRest Group revenue for the 12 months ended 31 December 2016-2018



The AmRest Group EBITDA for the 12 months ended 31 December 2016-2018



Financial and asset position of the Group

Revenue

Consolidated revenues of the AmRest Group amounted to EUR 1 546.9 million in 2018 and were 25% higher compared to the previous year (EUR +309 million). Solid top line growth was primarily driven by continued positive sales trends in comparable restaurants ("like-for-like", "LFL") and a dynamic pace of new openings across all major brands and markets of AmRest's operations (280 restaurants opened in 2018). In 2018 AmRest also benefited from the consolidation of the businesses acquired in 2017-2018. The revenues of the Group, adjusted by the impact of all major M&As since the acquisition of KFC in Germany (March 2017), amounted to EUR 1 318.9 million in 2018, representing a 11.9% growth over the year.

In Q4 2018 the revenues of AmRest increased by 23.3% compared to Q4 2017 and amounted to EUR 442.9m

The revenues in Central Europe (CEE) amounted to EUR 717.6 million in 2018, growing by 15.9% compared to the previous year. Most of business units in the region reported positive LFL sales in 2018. At the same time, the Group opened 140 new restaurants in CEE.

In Russia, a solid growth of sales in 2018 was observed. In local currency, the revenues of Russian division increased by 33.1% compared to 2017. Due to weakening ruble in 2018, consolidated revenues amounted to EUR 168.6 million, which represented a 18.4% growth over the year. Improvement in sales was driven by positive LFL trends, accelerated organic growth (42 restaurants opened in 2018) as well as consolidation of KFC and Pizza Hut businesses acquired by AmRest in 2017 and 2018 respectively.

The most dynamic growth of revenues was reported in the Western Europe division, where sales increased by 42.3% to EUR 569.8 million in 2018, largely driven by new businesses acquired in 2017-2018 and positive LFL trends in the core business. The revenues in Spain grew by 12.5% in 2018 on the back of solid LFL trends of La Tagliatella and KFC chains. Additionally, 27 new stores were opened in the region in 2018. In the meantime, AmRest acquired premium burger concept Bacoa. In Germany the revenues grew by 8.5% to EUR 170.4 million in 2018, primarily driven by expansion the restaurant network (25 new stores opened in 2018) and acquired businesses of KFC and Pizza Hut in 2017. Significant increase of revenues in France (EUR 153.9 million in 2018 vs EUR 25.7 million in 2017) resulted mainly from the acquisition of KFC and Sushi Shop businesses in 2017 and 2018.

In China, the revenues grew by 18.1% to EUR 73.6 million in 2018. The Company continued further expansion of Blue Frog brand and opened 17 new restaurants in China in 2018.

The segment Other comprised the sales of SCM Group realized from the non-related entities and the revenues of pizzaportal.pl. In 2018 the revenues of this segment amounted to EUR 17.3 million, which was 26.9% higher than year ago.

Profitability

In 2018 AmRest operations continued to grow at a double-digit pace. On the back of positive sales trends and strong performance of its core business, the Group reported EBITDA profit of EUR 173.2 million, which was 16.8% higher than in 2017. At the same time EBITDA margin stood at 11.2%, being 0.8pp below LY's level.

While most of the major markets of AmRest reported solid profitability improvement, in 2018 total margins of the Group were impacted by consolidation and integration of recently acquired businesses. The EBITDA margin of core operations of AmRest, i.e. adjusted by 2017-2018 M&As activities, reached 13.2% in 2018 and was 0.4pp higher than in 2017.

In Q4 2018 the EBITDA of AmRest reached EUR 49.3 million, representing a substantial growth of 27.4% over the year. At the same time EBITDA margin was 0.4pp higher than year ago and reached 11.1% in Q4 2018. Apart from improved profitability of the Core, in Q4 2018 the results of the Group were strengthened by newly acquired businesses, mainly KFC Russia, KFC France and Sushi Shop.

In 2018 AmRest benefited from relatively lower cost of rent (-0.5pp) and continued positive trends in cost of sales (-0.4pp), being a result of increased efficiency in supply system, innovations in food processing and new product development as well as cost optimization. At the same time, our endeavors around product and cost of food were aimed at maintaining the great quality of food for our customers. The savings in abovementioned areas allowed to partially offset relatively higher cost of labor (+1.5pp) driven by rising salaries in Central Europe and relatively higher payroll costs in Western European businesses than were recently acquired. As a result, the operating profit (EBIT) of the Group amounted to EUR 71.6 million in 2018 and was 14.1% higher than year ago. EBIT margin stood at 4.6% and was 0.5pp below last year.

The net profit attributable to AmRest shareholders amounted to EUR 43 million in 2018, while the net margin declined from 3.5% to 2.8%.

Profitability of CEE region in 2018 was to high extent driven by outstanding performance of Czech and Hungarian markets (29.3% and 28.5% increase in EBITDA, respectively), where solid top line growth and maintained cost discipline resulted in further strengthening of EBITDA margins (to 20.8% and 16.6%, respectively). At the same time, the results in Poland were impacted by increase in cost of labor and G&A, partially offset by relatively lower food costs. The EBITDA in Poland grew by 3.2%, while EBITDA margin declined by 0.8pp to 11.8%. In 2018 the Company continued development of delivery services, which was the fastest growing segment of AmRest operations. In Poland, delivery sales grew by 34% compared to 2017. In total, the EBITDA profit generated in Central Europe amounted to EUR 104.5 million in 2018, which was a 12.9% increase over the year.

Russian division witnessed significant profitability improvement, with EBITDA growing by 29.1% in 2018 to EUR 21.7 million. The EBITDA margin strengthened by 1.1pp to 12.9%, primarily driven by a solid performance of KFC business, which continued to expand in scale while significantly improving margins at the same time.

The EBITDA of Western Europe division amounted to EUR 57.6 million in 2018 and was 24% higher than year ago. Spanish market reported EUR 53.7 million EBITDA in 2018, which represented a 9.4% growth over the year. EBITDA margin in Spain declined by 0.6pp to 22% as a result of an evolution in brand portfolio. In addition to expansion of La Tagliatella, in 2018 AmRest accelerated development of KFC brand, by opening 14 new restaurants in Spain, as well as continued growth of Blue Frog network (5 stores added in 2018) and Bacoa (1 restaurant opened in 2018), which had dilutive impact on margins. In Germany, the Company continued integration of acquired businesses. Starbucks chain reported positive EBITDA both in Q4 and full year of 2018, which was offset by the losses incurred in the new KFC and Pizza Hut businesses, requiring further restructuring. As a result EBITDA in Germany was EUR 1.7 million negative in 2018. French market reported EUR 6 million EBITDA profit in 2018, driven primarily by consolidation of Sushi Shop and solid performance of KFC business which exceeded initial expectations.

Chinese business continued steady improvement in profitability, with EBITDA margin increased to 9.7% in 2018. As communicated in the past, the intention of AmRest is to develop Blue Frog business in China at the pace allowing for moderate expansion in scale while continuing margins improvement at the same time. Going forward, solid sales and margin growth of the Blue Frog business gives us great optionality for this prospective market.

(all figures in EUR millions unless stated otherwise)

Revenues and margins generated in the particular markets
for the years ended 31 December 2018 and 2017

	year ended 31 December 2018			year ended 31 December 2017		
	Amount	Share	Margin	Amount	Share	Margin
Revenue	**1 546.9**			**1 237.9**		
Poland	*409.4*	*26.5%*		*370.2*	*29.9%*	
Czechia	*169.6*	*11.0%*		*139.0*	*11.2%*	
Hungary	*89.7*	*5.8%*		*70.6*	*5.7%*	
Other CEE	*48.9*	*3.2%*		*39.4*	*3.2%*	
Total CEE	717.6	46.4%		619.2	50.0%	
Russia	168.6	10.9%		142.4	11.5%	
Spain	*244.3*	*15.8%*		*217.3*	*17.6%*	
Germany	*170.4*	*11.0%*		*157.0*	*12.7%*	
*France**	*153.9*	*10.0%*		*25.7*	*2.1%*	
Other Western Europe	*1.2*	*0.1%*		*0.4*	*0.0%*	
Western Europe	569.8	36.8%		400.4	32.3%	
China	73.6	4.8%		62.3	5.0%	
Other	17.3	1.1%		13.6	1.1%	
EBITDA	**173.2**		11.2%	**148.2**		12.0%
Poland	*48.3*		*11.8%*	*46.8*		*12.6%*
Czechia	*35.3*		*20.8%*	*27.3*		*19.6%*
Hungary	*14.9*		*16.6%*	*11.6*		*16.4%*
Other CEE	*6.0*		*12.3%*	*6.9*		*17.6%*
Total CEE	104.5		14.6%	92.6		15.0%
Russia	21.7		12.9%	16.8		11.8%
Spain	*53.7*		*22.0%*	*49.1*		*22.6%*
Germany	*-1.7*		*-*	*-0.6*		*-*
*France**	*6.0*		*3.9%*	*-1.6*		*-*
Other Western Europe	*-0.4*		*-*	*-0.4*		*-*
Western Europe	57.6		10.1%	46.5		11.6%
China	7.1		9.7%	5.9		9.5%
Other	-17.7		-	-13.6		-
Adjusted EBITDA	**187.8**		12.1%	**162.2**		13.1%
Poland	*48.9*		*11.9%*	*49.4*		*13.3%*
Czechia	*37.0*		*21.9%*	*28.3*		*20.4%*
Hungary	*16.4*		*18.3%*	*12.4*		*17.6%*
Other CEE	*7.3*		*14.7%*	*7.7*		*19.5%*
Total CEE	109.6		15.3%	97.8		15.8%
Russia	22.7		13.4%	17.9		12.6%
Spain	*55.5*		*22.7%*	*50.4*		*23.2%*
Germany	*-0.1*		*-*	*-0.1*		*-*
*France**	*9.5*		*6.1%*	*-1.1*		*-*
Other Western Europe	*-0.3*		*-*	*-0.4*		*-*
Western Europe	64.6		11.3%	48.8		12.2%
China	8.1		11.0%	6.6		10.5%
Other	-17.2		-	-8.9		-
EBIT	**71.6**		4.6%	**62.7**		5.1%
Poland	*19.6*		*4.8%*	*21.5*		*5.8%*
Czechia	*26.0*		*15.3%*	*19.7*		*14.2%*
Hungary	*8.9*		*10.0%*	*6.7*		*9.5%*
Other CEE	*0.6*		*1.6%*	*3.4*		*9.0%*
Total CEE	55.1		7.7%	51.3		8.3%
Russia	10.4		6.2%	6.7		4.7%
Spain	*38.1*		*15.6%*	*34.4*		*15.9%*
Germany	*-11.2*		*-*	*-10.5*		*-*
*France**	*-3.6*		*-*	*-4.2*		*-*
Other Western Europe	*-0.5*		*-*	*-0.8*		*-*
Western Europe	22.8		4.0%	18.9		4.7%
China	1.7		-	-0.2		-
Other	-18.4		-	-14		-

** "France" includes results of Sushi Shop business in all markets of its operations*

(all figures in EUR millions unless stated otherwise)

Revenues and margins generated in the particular markets a for 3 months ended 31 December 2018 and 2017

	3 months ended 31 December 2018			3 months ended 31 December 2017		
	Amount**	Share	Margin	Amount**	Share	Margin
Revenue	442.9			359.1		
Poland	*108.6*	*24.5%*		*102.2*	*28.5%*	
Czechia	*48*	*10.8%*		*41.6*	*11.6%*	
Hungary	*24.9*	*5.6%*		*20.8*	*5.8%*	
Other CEE	*13.9*	*3.1%*		*11.6*	*3.2%*	
Total CEE	195.4	44.1%		176.2	49.1%	
Russia	44.1	10.0%		41.8	11.6%	
Spain	*67.9*	*15.3%*		*59.3*	*16.5%*	
Germany	*44.7*	*10.1%*		*43.4*	*12.1%*	
*France**	*66.4*	*15.0%*		*18.7*	*5.2%*	
Other Western Europe	*0.5*	*0.1%*		*0.3*	*0.1%*	
Western Europe	179.5	40.5%		121.7	33.9%	
China	18.8	4.3%		15.3	4.3%	
Other	5.1	1.1%		4.1	1.2%	
EBITDA	49.3		11.1%	38.7		10.8%
Poland	*11.2*		*10.3%*	*13.2*		*12.9%*
Czechia	*10*		*20.8%*	*8.1*		*19.4%*
Hungary	*3.6*		*14.5%*	*2.8*		*13.3%*
Other CEE	*2.1*		*15.0%*	*1.8*		*16.6%*
Total CEE	26.9		13.8%	25.9		14.7%
Russia	6.0		13.6%	4.9		11.7%
Spain	*16.0*		*23.5%*	*14.7*		*24.8%*
Germany	*0.1*		*0.1%*	*1.1*		*2.6%*
*France**	*4.8*		*7.4%*	*-1.0*		-
Other Western Europe	*0.0*		-	*-0.1*		-
Western Europe	20.9		11.7%	14.7		12.1%
China	1.2		6.4%	0.9		6.0%
Other	-5.7		-	-7.7		-
Adjusted EBITDA	56.4		12.7%	46.5		13.0%
Poland	*12.5*		*11.5%*	*14.4*		*14.1%*
Czechia	*11.1*		*23.0%*	*8.6*		*20.7%*
Hungary	*4.4*		*17.7%*	*3.2*		*15.5%*
Other CEE	*2.6*		*19.3%*	*2.4*		*20.2%*
Total CEE	30.6		15.7%	28.6		16.2%
Russia	6.0		13.7%	5.3		12.6%
Spain	*16.8*		*24.7%*	*15.2*		*25.6%*
Germany	*0.7*		*1.5%*	*1.5*		*3.4%*
*France**	*6.6*		*9.9%*	*-0.6*		-
Other Western Europe	*0.0*		*4.9%*	*-0.1*		-
Western Europe	24.1		13.4%	16		13.1%
China	1.5		8.2%	1		6.7%
Other	-5.8		-	-4.4		-
EBIT	19.6		4.4%	10.7		3.0%
Poland	*2.9*		*2.7%*	*5.7*		*5.5%*
Czechia	*7.8*		*16.3%*	*5.9*		*14.2%*
Hungary	*1.8*		*7.1%*	*1.4*		*6.9%*
Other CEE	*0.5*		*3.1%*	*0.9*		*7.5%*
Total CEE	13.0		6.6%	13.9		7.9%
Russia	2.8		6.4%	2		4.7%
Spain	*12.5*		*18.4%*	*10*		*16.9%*
Germany	*-2.8*		-	*-3.1*		-
*France**	*0.9*		*1.2%*	*-3.1*		-
Other Western Europe	*-0.1*		-	*-0.1*		-
Western Europe	10.5		5.8%	3.7		3.0%
China	-0.7		-	-0.9		-
Other	-6.0		-	-8		-

** "France" includes results of Sushi Shop business in all markets of its operations*

*** Data not audited*

(all figures in EUR millions unless stated otherwise)

Reconciliation of the net profit and adjusted EBITDA for years ended 31 December 2018 and 2017

	year ended 31 December 2018		year ended 31 December 2017		FY / FY	
	Amount	% of sales	Amount	% of sales	change	% of change
Restaurant sales	1 460.6	94.4%	1 162.3	93.9%	298.3	25.7%
Franchise and other sales	86.3	5.6%	75.6	6.1%	10.7	14.1%
Total sales	**1 546.9**		**1 237.9**		**309.0**	**25.0%**
Profit/(loss) for the period	**41.3**	**2.7%**	**42.7**	**3.4%**	**-1.4**	**-3.4%**
+ Finance costs	16.8	1.1%	14.0	1.1%	2.7	19.4%
– Finance income	-2.7	-0.2%	-0.8	-0.1%	-1.9	242.0%
+ Income tax expense	16.2	1.0%	6.8	0.6%	9.5	141.5%
+ Depreciation and Amortisation	92.1	6.0%	77.7	6.3%	14.4	18.5%
+ Impairment losses	9.5	0.6%	7.8	0.6%	1.7	21.2%
EBITDA	**173.2**	**11.2%**	**148.2**	**12.0%**	**25**	**16.9%**
+ Start-up expenses	13.2	0.9%	9.2	0.7%	4.0	43.8%
+ M&A related expenses	3.1	0.2%	2.9	0.2%	0.2	7.7%
+/– Effect of SOP exercise method modification	0.8	0.1%	1.9	0.1%	-1.0	-57.2%
+/– Indirect taxes adjustments	-2.5	-0.2%	0.0	0.0%	-2.5	n/a
Adjusted EBITDA	**187.8**	**12.1%**	**162.2**	**13.1%**	**25.6**	**15.8%**

Liquidity analysis

	31 December 2018	31 December 2017
Current assets	250.3	222.4
Inventory	25.7	22.4
Current liabilities	265.3	232.7
Quick ratio	0.85	0.86
Current ratio	0.94	0.96
Cash and cash equivalents	118.4	131.2
Cash ratio	0.45	0.56
Inventory turnover (in days)	5.27	5.83
Trade and other receivables	61.9	38.7
Trade receivables turnover (in days)	9.95	8.54
Operating ratio (cycle) (in days)	15.21	14.37
Trade and other accounts payable	246.9	188.7
Trade payables turnover (in days)	46.12	42.28
Cash conversion ratio (in days)	-30.91	-27.91

Definitions:

- *Quick ratio – current assets net of inventories to current liabilities*
- *Current ratio – current assets to current liabilities*
- *Cash ratio – cash and cash equivalents to current liabilities*
- *Inventory turnover ratio – average inventories to revenue multiplied by the number of days in the period*

(all figures in EUR millions unless stated otherwise)

- *Trade receivables turnover ratio – average trade and other receivables to revenue multiplied by the number of days in the period*
- *Operating ratio (cycle) – total of inventories turnover and receivables turnover*
- *Trade payables turnover ratio – average trade and other accounts payable to revenue multiplied by the number of days in the period*
- *Cash conversion ratio – difference between the operating ratio and the trade payables turnover ratio*

Leverage analysis

	31 December 2018	31 December 2017
Non-current assets	1 191.0	814.9
Liabilities	1 010.7	714.7
Non-current liabilities	745.4	482.0
Debt	661.8	471.6
Share of inventories in current assets (%)	0.10	0.10
Share of trade receivables in current assets (%)	0.25	0.17
Share of cash and cash equivalents in current assets (%)	0.47	0.59
Equity to non-current assets ratio	0.36	0.40
Gearing ratio	0.70	0.69
Long-term liabilities to equity ratio	1.73	1.49
Liabilities to equity ratio	2.35	2.22
Debt/equity	1.54	1.46

Definitions:

- *Share of inventories, trade and other 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 to total assets;*
- *Non-current liabilities to equity – non-current liabilities to equity;*
- *Liabilities to equity – liabilities and provisions to equity;*
- *Debt/equity – total non-current and current interest bearing loans and borrowings.*

Debt ratios

The debt and liquidity ratios of the Group were at levels ensuring smooth operating activities and reflected the specifics of restaurant industry.

The Group's equity increased by EUR 107.9 million compared to the balance at the end of 2017 and amounted to EUR 430.5 million at the end of 2018. The change in equity resulted mainly from the increase of retained earnings (EUR +40.7 million in 2018) and a new capital issued in October 2018 (EUR 69.2 million). The net debt to EBITDA ratio amounted to 2.97 as at the end of 2018, as a net effect of growing profitability, mentioned raise of capital and increased debt financing needed for accelerated organic growth and M&A activities.

Brands operated by the Group

As at the date of publication of the Report, the portfolio of AmRest consisted of nine brands: KFC, Pizza Hut, Starbucks, Burger King, La Tagliatella, Blue Frog, Kabb, Bacoa and Sushi Shop.

AmRest is a franchisee of Yum! Brands Inc. for the KFC and Pizza Hut brands. Starting from 1 October 2016 the Group as a master-franchisee has the right to grant a license to third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise) in countries of Central and Eastern Europe, while ensuring a certain share of restaurants operated directly by AmRest. Pizza Hut restaurants acquired in France in May 2017, in Germany in July 2017 and in Russia in June 2018 are operated both by AmRest and its sub-franchisees.

Burger King restaurants are operated on a franchise basis following an agreement concluded with Burger King Europe GmbH.

Starbucks restaurants in Poland, the Czech Republic and Hungary are opened by the companies AmRest Coffee (owned in 82% by AmRest and in 18% by Starbucks). These companies have the rights and licenses to develop and manage Starbucks restaurants in respective countries. Starbucks restaurants in Romania, Bulgaria, Germany and Slovakia are operated by the Group on a franchise basis.

La Tagliatella is the proprietary brand of AmRest and became a part of its portfolio in April 2011. La Tagliatella restaurants are operated directly by AmRest as well as by third party entities which operate restaurants on a franchise basis.

Blue Frog and KABB brands became the property of AmRest in December 2012 as a result of acquisition of majority stake in Blue Horizon Hospitality Group LTD.

Bacoa brand was acquired by AmRest on 31 July 2018 from Bloom Motion, S.L. and Mr. Johann Spielthenner, The chain represents seven premium burger restaurants operated in Spain through equity and franchise model.

Sushi Shop, a leading European sushi concept, is a proprietary brand of AmRest and became a part of its portfolio through the acquisition of Sushi Shop Group SAS finalized on 31 October 2018. Sushi Shop restaurants are operated by both AmRest (equity stores) and AmRest's franchisees. Sushi Shop network is present in 12 countries and reported within the Western Europe segment.

Quick Service Restaurants (QSR)

KFC

Established in 1952, the KFC brand is the biggest, fastest growing and most popular chain of quick service restaurants serving chicken meals. There are currently more than 20 000 KFC restaurants in 125 countries worldwide.

As at 31 December 2018 the Group operated 779 KFC restaurants: 264 in Poland, 97 in the Czech Republic, 58 in Hungary, 178 in Russia, 67 in Spain, 27 in Germany, 65 in France, 8 in Serbia, 5 in Bulgaria, 8 in Croatia, 1 in Austria and 1 in Slovenia.

The beginnings of Burger King date back to 1954. Today, Burger King ("Home of the Whopper") operates about 15 500 restaurants, serving about 11 million customers in 100 countries every day. Almost 100% of Burger King restaurants are run by independent franchisees and many of them have been managed for decades as family businesses. Burger King brand is owned by 3G Capital.

As at 31 December 2018 AmRest ran the total of 60 Burger King restaurants – 40 in Poland, 17 in the Czech Republic, 1 in Bulgaria and 2 in Slovakia.

Casual Dining and Fast Casual Restaurants (CDR, FCR)

La Tagliatella arose from the experience of more than two decades of specialization in the traditional cuisine of the regions of El Piemonte, La Liguria and La Reggio Emilia. Over the past year the brand has entertained more than 9 million customers, who delighted in the most authentic flavours of Italian cuisine.

As at 31 December 2018 AmRest operated 249 La Tagliatella restaurants — 237 in Spain, 8 in France, 2 in Germany and 2 in Portugal.

Pizza Hut is one of the largest casual dining restaurant chains in Europe. Inspired by the Mediterranean cuisine, it promotes the idea of having a good time while enjoying a meal together with family and friends. It is also the biggest brand in the Polish casual dining segment in terms of sales and the number of transactions. Pizza Hut's strong position results from consistently implemented "Pizza and much more!" strategy which assumes extending the brand's offer by adding new categories such as pastas, salads, desserts and starters while retaining the position of a leader and "pizza expert".

In addition to the well-established Casual Dining format, AmRest focuses now on creating new concepts within the Pizza Hut family. Meeting guests' expectations the Fast Casual Pizza Hut Express and Delivery restaurants have been created. Pizza Hut's exceptional taste is now being leveraged with speed, convenience and ease, creating an unique customer experience.

As at 31 December 2018 AmRest ran 449 Pizza Hut restaurants – 140 in Poland, 66 in Russia, 19 in Hungary, 7 in Czech Republic, 129 in France, 82 in Germany, 2 in Armenia, 2 in Azerbaijan and 2 in Slovakia.

Inclusion of the Blue Horizon Hospitality Group to AmRest structure in 2012 enriched the CDR segment brand portfolio with two new positions operating in the Chinese market.

• Blue Frog Bar & Grill — restaurants serving grilled dishes from the American cuisine in a nice atmosphere.

• KABB Bistro Bar — premium segment restaurant, serving "western cuisine" dishes and a wide selection of wines and drinks.

As at 31 December 2018 AmRest operated 67 Blue Frog (60 in China, 6 in Spain and 1 in Poland) and 3 KABB restaurants.

Bacoa is a popular premium burger concept in Spain. Since 2010, it has been bringing high quality, freshly cooked burgers and chips to their loyal fans. Bacoa is passionate about using premium ingredients and preparing everything by hand, proving every day that fast food can also be good food with the right approach.

As 31 December 2018, AmRest operated 7 Bacoa restaurants in Spain (5 in Barcelona, 1 in Madrid and 1 in Lleida).

Founded in 1998 by Grégory Marciano and Adrien de Schompré, Sushi Shop is the leading European chain of restaurants for sushi, sashimi and other Japanese specialties. It is positioned as a premium brand offering food prepared fresh with highest quality ingredients.

Sushi Shop has successfully established an international network of company-operated and franchises stores across 12 countries.

As 31 December 2018, AmRest operated 171 Sushi Shop restaurants (120 in France, 9 in Spain, 3 in Germany, 3 in Portugal, 8 in Belgium, 3 in Italy, 2 in Luxemburg, 5 in UK, 6 in Switzerland, 3 in Saudi Arabia, 8 in UAE and 1 in Iran).

Coffee category

Starbucks is the world leader in the coffee sector with about 26 000 stores in 75 countries. It offers a broad selection of coffees from different parts of the world, as well as teas, soft drinks and a wide range of fresh snacks and desserts. The store designs and their atmosphere refer to the coffee heritage and reflect the culture of the neighborhood.

As at 31 December 2018 AmRest Coffee operated 341 stores (70 in Poland, 41 in the Czech Republic, 27 in Hungary, 46 in Romania, 13 in Bulgaria, 139 in Germany and 5 in Slovakia).

(all figures in EUR millions unless stated otherwise)

Key investments

The capital expenditure incurred by AmRest related mainly to a development of restaurant network. The Group increased the scale of the business through construction of new restaurants, acquisition of restaurant chains from third parties as well as reconstruction and replacement of assets in the existing stores. Each year, the Group's capital expenditure depends mainly on the number and type of restaurants opened as well as scale and profile of M&A activities.

In 2018 AmRest's capital expenditure was financed from cash flows from operating activities, debt financing and issue of new share capital.

The table below presents purchases of property, plant and equipment, intangible assets as well as value of acquired goodwill in 12 months ended 31 December 2018 and 31 December 2017.

Purchases of property, plant and equipment, intangible assets as well as value of acquired goodwill in AmRest

	year ended	
	31 December 2018	31 December 2017
Intangible assets:	**106.0**	**24.7**
Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	5.7	6.1
Other intangible assets	100.3	18.6
Goodwill	**158.9**	**42.6**
Property, plant and equipment:	**204.8**	**174.5**
Land	7.3	11.3
Buildings and expenditure on development of restaurants	92.0	78.8
Machinery & equipment	82.4	54.7
Vehicles	1.1	0.5
Other tangible assets (including assets under construction)	22.0	29.2
Total	**469.7**	**241.8**

AmRest's New Restaurants

	AmRest equity restaurants	AmRest franchisee restaurants	Total
31.12.2017	1 294	345	1 639
New Openings	251	29	280
Acquisitions	143	96	239
Closings	21	11	32
31.12.2018	1 667	459	2 126

As at 31 December 2018, AmRest operated 2 126 restaurants, including 459 restaurants which are managed by franchisees (167 La Tagliatella, 222 Pizza Hut, 2 Blue Frog, 4 Bacoa and 64 Sushi Shop). Compared with 31 December 2017, the Group runs 487 more restaurants. 280 new restaurants were opened: 140 restaurants in Central and Eastern Europe, 42 in Russia, 81 in Western Europe and 17 in China. At the beginning of June

(all figures in EUR millions unless stated otherwise)

2018 AmRest acquired from Pizza Hut Europe S.à.r.l. 16 Pizza Hut equity and 28 franchised restaurants mostly in the Russian market. Bacoa brand including 2 equity and 4 franchised restaurants was purchased at the end of July 2018. Between September and November 2018 AmRest acquired from KFC France SAS 15 KFC restaurants in France. On 31 October 2018 The Company's portfolio was enhanced by 179 Sushi Shop restaurants operated in 12 countries.

Number of AmRest restaurants (as at 31 December 2018)

Countries	Brands	31.12.2017	31.03.2018	30.06.2018	30.09.2018	31.12.2018
Poland	**Total**	**454**	**456**	**470**	**478**	**515**
	KFC	243	245	248	249	264
	BK	41	41	42	42	40
	SBX	64	63	65	67	70
	PH	105	106	114	119	140
	BF	1	1	1	1	1
Czech Republic	**Total**	**133**	**133**	**137**	**143**	**162**
	KFC	85	85	88	90	97
	BK	12	12	12	12	17
	SBX	34	34	35	37	41
	PH	2	2	2	4	7
Hungary	**Total**	**82**	**82**	**85**	**89**	**104**
	KFC	50	50	51	53	58
	SBX	20	19	21	22	27
	PH	12	13	13	14	19
Russia	**Total**	**165**	**168**	**217**	**226**	**244**
	KFC	154	156	160	166	178
	PH equity	11	12	33	36	41
	PH franchised	-	-	24	24	25
Bulgaria	**Total**	**13**	**13**	**15**	**18**	**19**
	KFC	5	5	5	5	5
	BK	1	1	1	1	1
	SBX	7	7	9	12	13
Serbia	KFC	**7**	**7**	**7**	**7**	**8**
Croatia	KFC	**7**	**7**	**7**	**7**	**8**
Romania	SBX	**36**	**38**	**40**	**41**	**46**
Slovakia	**Total**	**4**	**4**	**4**	**5**	**9**
	SBX	4	4	4	4	5
	PH	-	-	-	1	2
	BK	-	-	-	-	2
Armenia	PH franchised			**2**	**2**	**2**
Azerbaijan	PH franchised			**2**	**2**	**2**
Spain	**Total**	**278**	**278**	**287**	**299**	**326**
	TAG equity	72	71	69	70	73
	TAG franchised	152	153	159	161	164
	KFC	53	53	57	58	67
	Blue Frog equity	1	1	2	2	4
	Blue Frog franchised	-	-	-	2	2
	Bacoa equity	-	-	-	2	3
	Bacoa franchised	-	-	-	4	4
	Sushi Shop equity	-	-	-	-	2
	Sushi Shop franchised	-	-	-	-	7
France	**Total**	**176**	**178**	**179**	**191**	**322**
	TAG equity	5	5	5	5	5
	TAG franchised	4	4	4	4	3
	KFC	8	8	8	10	11
	PH equity	118	118	117	116	118
	PH franchised	41	43	45	56	65
	Sushi Shop equity	-	-	-	-	86
	Sushi Shop franchised	-	-	-	-	34

(all figures in EUR millions unless stated otherwise)

Germany	**Total**	**234**	**235**	**237**	**239**	**253**
	SBX	136	133	133	134	139
	TAG equity	2	2	2	2	2
	KFC	22	23	24	24	27
	PH equity	3	4	4	4	7
	PH franchised	71	73	74	75	75
	Sushi Shop franchised	-	-	-	-	3
Austria	KFC	1	1	1	1	1
Slovenia	KFC	1	1	1	1	1
Portugal	**Total**	1	1	1	1	5
	TAG equity	1	1	1	1	2
	Sushi Shop franchised	-	-	-	-	3
China	**Total**	47	47	51	57	63
	Blue Frog	43	43	47	53	60
	KABB	4	4	4	4	3
Belgium	**Total**	-	-	-	-	8
	Sushi Shop equity	-	-	-	-	5
	Sushi Shop franchised	-	-	-	-	3
Italy	**Total**	-	-	-	-	3
	Sushi Shop equity	-	-	-	-	1
	Sushi Shop franchised	-	-	-	-	2
Switzerland	Sushi Shop equity	-	-	-	-	6
Luxembourg	Sushi Shop equity	-	-	-	-	2
UK	Sushi Shop equity	-	-	-	-	5
UAE	Sushi Shop franchised	-	-	-	-	8
Saudi Arabia	Sushi Shop franchised	-	-	-	-	3
Iran	Sushi Shop franchised	-	-	-	-	1
Total AmRest		1 639	1 649	1 743	1 807	2 126

** The Board of Directors resolved not to be present in Iran and stopped collecting royalties from that franchisee while AmRest's exit of Iran is executed*

Planned investment activities

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

Similar to previous periods, AmRest intends to further strengthen its leadership position in European restaurant markets. Currently, the Company continues realization of its mid-term vision of doubling the size of the business within three years (2017-2019). The potential for growth in the existing markets of AmRest's operations allows for accelerated organic expansion through increased number of new restaurants. Invention of lighter store formats (i.e. KFC Kiosk, Pizza Hut Express, Pizza Hut Delivery) increased availability of new locations across the Europe, while the master-franchise rights within the brand of Pizza Hut additionally support the future growth.

Potential acquisitions remain the second pillar of AmRest's growth. On the back of recently finalized M&A transactions, AmRest plans to focus on integration of acquired businesses, aiming at increasing its scale and profitability.

In the light of growing popularity of take-away and delivery segments, AmRest will continue investing in online food ordering platforms and development of its delivery services across all major markets. Promising results of addition of AmRest's brands to Pizzaportal.pl as well as dynamic growth profile of Glovo services reinforced Company's long-term ambition to build a leadership position of food delivery segment in restaurant markets of Europe.

Similar to previous years, improvement of ROIC and building the long-term growth platform will define the main criteria of shaping the structure of new launches and acquisitions. AmRest's investment program will be financed both from the own sources and through debt financing.

Significant events and transactions in 2018

Entrance into Russian bakery segment

On 27 February 2018 the Group announced signing on the same day the Subscription and Shareholders' Agreement with LPQ Russia Limited, based in London, United Kingdom ("Partner").

The agreement defined the main terms and conditions of cooperation between AmRest Holdings SE and the Partner aimed at developing a restaurant business in the bakery segment in Russia through a newly-formed corporate structure. As a result, AmRest would become a majority shareholder, holding 51% stake in newly created company ("NewCo"). The remaining 49% stake will be held by the Partner. NewCo will own and control its subsidiaries: the operating entity in Russia and the trademarks holding company.

The cooperation assumed the contribution of trademarks ("Хлеб Насущный" (Khleb Nasuschny), "Филипповъ" (Philippov), "Наш хлеб" (Nash Khleb) and "Андреевские булочные" (Andreevsky Bulochnye)) to the Structure by the Partner. AmRest would invest EUR 6 million into the Structure with the purpose of developing the restaurant business in Russia.

The Group believes that described partnership and expansion into bakery sector will increase Group's footprint in the Russian market, enhance its product portfolio and broaden the customer base. The above is expected to strengthen AmRest's position in the restaurant sector in the region as well as be a source of value creation for AmRest shareholders in the future.

As at the date of this report, the transaction has not been finalized.

On 27 February 2019 first set of documents envisaged by the Subscription and Shareholders' Agreement as events necessary for Completion (or related to it) was signed.

Intention of the parties is to finalize the transaction by the end of April 2019 (subject to potential prolongation of such longstop date, which may be agreed by the parties).

Completion is a subject to fulfilment of all the conditions precedent defined in SSHA and will be conducted pursuant to the step plan agreed by the parties.

Registration of the Group's registered office in Spain

On 14 March 2018 AmRest Holdings SE informed that on the same day it received a confirmation of the registration on 12 March 2018 of its registered office in Pozuelo de Alarcón, Madrid, Spain.

Simultaneously, the amended Statute of the Company adopted by the Extraordinary General Meeting of 5 October 2017 came into force.

In connection with the above, AmRest informed that Spain is currently its Home State and legal and regulatory provisions applicable in the Spanish market will now be applicable to the Company and its shareholders instead of some of the hitherto applicable Polish legal regulations.

Acquisition of Pizza Hut business in Russia

On 30 April 2018 AmRest signed the Master Franchise Agreement ("MFA") with Pizza Hut Europe S.à.r.l. („PH Europe"). As a result of completion of the MFA (1 June 2018), AmRest became a master-franchisee of Pizza Hut brand in Russia, Azerbaijan and Armenia, obtained the exclusive right to grant the license to the third parties to operate Pizza Hut restaurants (sub-franchise) in these countries and became the franchisor for nearly 30 restaurants currently operated by multiple sub-franchisees in abovementioned regions.

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 Group meets certain development obligations specified in the MFA. The MFA was granted for initial period of 10 years with an option of further prolongations upon the fulfilment of certain terms and conditions.

Simultaneously, on 30 April 2018, OOO Pizza Company, being the subsidiary of AmRest signed the Asset Purchase Agreement ("APA") with Yum Restaurants International Russia and CIS LLC („PH Russia").

As a result of completion of the APA (1 June 2018), the Group acquired the assets of 16 Pizza Hut Delivery and Express restaurants, previously run by PH Russia in Moscow. The purchase price was estimated at RUB 142.6 million (EUR 1.9 million).

AmRest believes in a great potential for growing presence of Pizza Hut brand in Russia. The master franchise rights will contribute to strengthening the partnership with Yum! Brands and AmRest's leadership position of restaurant operator in Russia.

Acquisition of 15 KFC restaurants in France

On 23 May 2018 AmRest signed the Binding Head of Terms ("HoT") determining the key terms and conditions of a purchase of 15 equity restaurants from KFC France SAS ("KFC Business"), operated in the French market and signing of Standard KFC International Franchise Agreement for each restaurant.

On 26 July 2018 AmRest Opco, AmRest Leasing SAS, AmRest Estate SAS (jointly: „Buyer") and KFC France SAS ("KFC France"), NOVO BL (jointly "Seller") signed the Framework Agreement, under the terms of which AmRest would acquire 15 equity restaurants run by KFC France in the French market and AmRest Opco and KFC France would sign the standard KFC International Franchise Agreement for each restaurant.

The purchase price was approximately EUR 33.3 million. Estimated revenues of the restaurants in 2017 amounted to EUR 40 million.

Also on 26 July 2018, AmRest Opco and KFC France signed the Development Agreement setting forth the development plans of the KFC brand in France. According to the agreement AmRest intends to open in the French market about 150 KFC restaurants by end of 2023.

In the opinion of the Group there is a great potential for growing KFC brand in Western Europe. Acquisition of several 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.

AmRest took over from KFC France all 15 equity restaurants between mid-September and early November 2018.

Acquisition of BACOA brand

On 16 July 2018 AmRest Tag, S.L.U. ("AmRest Tag", which is an indirect 100% subsidiary of AmRest) signed the Binding Offer (the "Offer") with Bloom Motion, S.L. and Mr. Johann Spielthenner (jointly the "Seller"), determining the key terms and conditions on, and subject to which, AmRest Tag would be willing to enter into definitive Share Purchase Agreement ("SPA") with the Seller and acquire from the Seller 100% of the share capital of the companies Bacoa Holding, S.L. and Black Rice, S.L. (jointly the "Target Companies").

The Target Companies run a restaurant chain of six burger restaurants under BACOA brand in Spain (in Barcelona and in Madrid) operated through both equity and franchise model.

The definitive Share Purchase Agreement between AmRest Tag and the Seller was signed on 31 July 2018. As the result, AmRest Tag acquired 100% of Bacoa Holding, S.L. and Black Rice, S.L. share capital, and effectively a restaurant chain of six burger restaurants under BACOA brand in Spain. The purchase price based on Enterprise Value (on the cash-free and debt-free basis) amounted to approx. EUR 3.7 million. In 2017 fiscal year Bacoa network generated the system sales of approx. EUR 10 million.

Acquisition of Sushi Shop Group SAS

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

The purchase price based on Enterprise Value (on the cash-free and debt-free basis) was estimated at approx. EUR 240 million, of which an equivalent of EUR 13.0 million was to be paid to Mr. Grégory Marciano and Mr. Adrien de Schompré in the AmRest's shares.

Sushi Shop is the operator of the leading European chain of Japanese cuisine restaurants comprising of 171 stores, of which 61 are restaurants run by franchisees. Upscale Sushi Shop restaurants are present in France (72% of the entire business) and in 11 other countries (including Spain, Belgium, Great Britain, Germany, Switzerland, Italy). The Group's business model is based mainly on the "delivery" (55% of sales) and "take-away" (32% of sales) channels.

The consolidated revenues of Sushi Shop in 2017 amounted to ca. EUR 130 million.

The acquisition strengthened AmRest's portfolio with a well-established proprietary brand in sushi category. The offer of Sushi Shop shall add substantial leverage on food delivery platforms of the Group.

On 31 October 2018 AmRest announced the completion of the SPA (the "Completion"), after fulfillment of all obligations and obtaining all required approvals.

Share Purchase Agreement – TELE PIZZA, S.A.U.

On 26 July 2018 AmRest Sp. z o.o. („AmRest Poland") and TELE PIZZA, S.A.U. ("Seller") signed a Share Purchase Agreement, pursuant to which AmRest Poland would acquire 100% shares of TELEPIZZA POLAND Sp. z o.o. ("Telepizza Poland") at an estimated price of ca. EUR 8m. The final purchase price would be determined at the day of closing the transaction.

Telepizza Poland is the master franchisee of Telepizza restaurants across Poland and is fully owned by the Seller. Currently Telepizza Poland operates 95 restaurants, both in equity (33 units) and franchise (62 locations) business model.

In 2017 the network generated system sales of approx. EUR 24.2m (PLN 103m). The consolidated revenue of Telepizza Poland amounted to about EUR 17.2m (PLN 73.3m).

The completion of the transaction is contingent upon a number of conditions, including obtaining antitrust approvals, conclusion of a license agreement with the Seller authorizing Telepizza Polska to continue operation of its business and lack of the material adverse change events (“MAC”).

As at the date of this report, the transaction has not been finalized.

Investment in Shares of Glovoapp23, S.L.

On July 18 2018 AmRest signed the Shareholders' Agreement, Subscription Agreement and Share Purchase Agreement (altogether: “Agreements”) with Glovoapp23, S.L., based in Barcelona, Spain (“Glovo”) and its existing and new shareholders. Based on the Agreements AmRest acquired a tranche of newly issued shares in Glovo as well as purchased a portion of existing shares from certain shareholders of Glovo (“Investment”). As a result of the Investment in the total amount of EUR 25 million, AmRest became co-lead investor holding 10% of total number of Glovo shares. The Investment assured AmRest a board seat in Glovo.

Glovo is one of the key players in digital food delivery on the Spanish market. It is an application that allows to buy, collect and send any product within the same city at a time. It has more than 1 million users and 5 600 associated partners. In Spain, the service is available in the urban areas of ca. 20 cities. Internationally, Glovo operates in the main capital cities in Europe and EMEA, and also in 9 countries of LATAM.

Taking into consideration the growing importance and impact of digital technologies in the consumer foodservice sector and increasing market share of online food-ordering channel, AmRest believes that the partnership with Glovo will strengthen the Group’s position in the aggregator and delivery segment. Another investment into digital ventures was a natural decision embodying the AmRest’s strategy of achieving the leading position on all the markets of AmRest operation in both dine-in and delivery segment.

Increase of the nominal value of the Company shares and share split

On 21 September 2018, with reference to the resolutions adopted by the General Shareholders’ Meeting on 6 June 2018, AmRest informed about the registration by the Commercial Registry (Registro Mercantil) in Madrid of the increase of the nominal value of the Company shares from 0.01 EUR to 1 EUR for each share with charge to share premium reserve “Nominal Value Increase” and subsequent reduction of the nominal value of shares from 1 EUR to 0.1 EUR with exchange ratio 1:10 without any change in share capital (“Split”). The abovementioned registration took place on 20 September 2018.

In line with a resolution dated 27 September 2018 passed by the Krajowy Depozyt Papierów Wartościowych (KDPW), the registration in KDPW of the Nominal Value Increase was executed on 2 October 2018 while the Split was executed on 3 October 2018. As a result the total number of Company shares traded on the Warsaw Stock Exchange (“WSE”) increased to 212 138 930, each of a nominal value of 0.1 EUR.

Transfer the home deposit to Spain and change of the ISIN code

On 28 September 2018, AmRest informed that in connection with the transfer of the Company's registered office to Spain, AmRest decided to transfer the home deposit of its shares to Spain. The depositary of the Company's shares in Spain would be Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal („Iberclear”), in which the Company's shares would be registered under the Spanish ISIN code ES0105375002. This would not affect the quotations of AmRest shares on the Warsaw Stock Exchange ("WSE").

Due to the change of the ISIN code the trading of AmRest shares was suspended from 4 October to 8 October 2018 inclusive.

On 5 October 2018 Krajowy Depozyt Papierów Wartościowych (the National Depository of Securities in Poland; "KDPW") adopted a resolution, according to which the Management Board of KDPW decided to register 212 138 930 shares of the Company with a nominal value of EUR 0.10 each in KDPW as a secondary deposit under new ISIN code ES0105375002 (hitherto registered in KDPW as home deposit under the code NL0000474351).

Share capital increase through a private placement

On 11 October 2018 AmRest announced that by virtue of the delegation granted by the Ordinary General Shareholders' Meeting held on 6 June 2018, under item thirteenth of its agenda, the Board of Directors of the Company has resolved to carry out a share capital increase excluding pre-emption rights (the "Share Capital Increase") in an effective amount (including nominal amount and share issue premium) of EUR 70 million.

On 12 October AmRest informed about the completion of the private placement process solely addressed to qualified or institutional investors carried out by JB Capital Markets Sociedad de Valores, S.A. (the Sole Global Coordinator) through a book-building process. The offer price of the New Shares had been set at EUR 9.44 (PLN 40.75) per share, with a nominal value of EUR 0.10 per share and an issue premium of EUR 9.34 per share.

Under the Share Capital Increase, the Company issued 7 415 253 New Shares, of the same class and series as the outstanding shares in the Company. Consequently, the total gross proceeds (including nominal value and share issue premium) of the Share Capital Increase amounted to EUR 69 999 988.32, with a total nominal value of EUR 741 525.30 and a total share issue premium of EUR 69 258 463.02.

The New Shares represent 3.50% of the Company's share capital before the Share Capital Increase and 3.38% of its share capital thereafter.

The effective date of share capital increase was 15 October 2018, when the share capital increase public deed was granted before a public notary and filed for registration with the Registro Mercantil de Madrid.

On 14 November 2018 the Management Board of the Warsaw Stock Exchange (the "WSE") adopted a resolution on admission to trading on the main market of 7,115,253 ordinary bearer shares of AmRest, with a nominal value of EUR 0.10 each (registered in Krajowy Depozyt Papierów Wartościowych under the ISIN code "ES0105375002"). The first trading date was scheduled for November 16th, 2018.

Dual listing in Spain

On 20 November 2018 the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, "CNMV") confirmed that the applicable requirements for the listing on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia of all 219,554,183 ordinary shares of AmRest with a EUR 0.10 face value have been met.

The date of introduction of the Company's shares to trading on the Spanish Stock Exchanges, through the Spanish Automated Quotation System (Sistema de Interconexión Bursátil - SIBE) was 21 November 2018.

Annex to distribution agreement with Quick Service Logistics Hungaria Bt

On 11 December 2018 AmRest's subsidiaries – AmRest Kft and AmRest Kávézó Kft (jointly "AmRest's subsidiaries") and Quick Service Logistics Hungaria Bt („QSL", "Distributor") signed an Annex to distribution agreement (disclosed in a regulatory announcement RB 37/2016 dated 20 May 2016 "the Agreement"). On the basis of the Agreement QSL deals with purchasing, warehousing and sale of products for the restaurants operated by AmRest's subsidiaries in Hungary.

The Annex extended the term of the Agreement by 5 years, i.e. to June 2nd, 2024. Other key conditions of the Agreement remain unchanged. Extension of Agreement caused increase of its estimated value of about EUR 154 million.

External Debt

Grant of the Tranche E and F under the Credit Agreement

With reference to regulatory announcement RB 229/2017 dated 6 October 2017 concerning the credit agreement signed on 5 October 2017 between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. – jointly „the Borrowers" and Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A and Česká spořitelna, a.s. – jointly „the Lenders" ("the Agreement"), on 14 June 2018 AmRest received from Bank Polska Kasa Opieki S.A., being the facility agent of mentioned credit, the Confirmation Statement committing Tranche E of the credit facility in the amount of PLN 280 million. The Confirmation Statement was issued at the request of the Borrowers. Tranche E was dedicated to repayment of the Polish bonds.

On 1 October 2018 AmRest informed about amendment to the Agreement signed on 1 October 2018, which resulted in committing Tranche F of the credit facility in the amount of EUR 190 million. Tranche F was dedicated to finance acquisitions and general purposes of the AmRest Group.

Redemption of 14 000 dematerialized bearer bonds AMRE03300618 series

On 2 July 2018 the Company made a redemption of 14 000 dematerialized bearer bonds AMRE03300618 series, with a par value of PLN 10 000 per one bond and the total nominal value of PLN 140 million (EUR 31,9 million). The bonds were issued by AmRest on 18 June 2013 with the maturity date falling on 30 June 2018. The redemption of the bonds resulted in expiry of all rights and obligations arising from them (according to Art. 74 of the Act on bonds dated 15 January 2015).

Early redemption of 14 000 dematerialized bearer bonds AMRE04100919 series

On 28 September 2018, in accordance with point 4.2 of Terms and Conditions of the Issue of Series AMRE04100919 Bonds, AmRest made an early redemption of 14 000 dematerialized bearer bonds AMRE04100919 series ("the Bonds"), with a par value of PLN 10 000 per one bond and the total nominal value of PLN 140 million (EUR 32,7 million). The Bonds were issued on 10 September 2014 with the maturity date falling on 10 September 2019. The early redemption of the Bonds at the request of the Issuer was carried out by a cash payment in the amount of the nominal value of the Bonds increased by accrued interest and early redemption premium calculated in accordance with point 3 and 4 of the Terms and Conditions of the Bonds Issue. The buyout of the Bonds was refinanced with bank loans. The redemption of the Bonds resulted in expiry of all rights and obligations arising from them (according to Art. 74 of the Act on bonds dated January 15th, 2015).

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(all figures in EUR millions unless stated otherwise)

Shareholders of AmRest Holdings SE

Shareholders structure as at December 31st, 2018 was impacted by recent increase of the nominal value of the Company shares, share split and share capital increase through a private placement, and according to the best knowledge of AmRest was as follows:

Shareholder	Number of shares and votes at the Shareholders' meeting	% of shares and votes at the Shareholders' meeting
FCapital Dutch B. V.*	123 777 447	56.38%
Gosha Holding S.à.r.l**	23 426 313	10.67%
Nationale-Nederlanden OFE	10 718 700	4.88%
Artal International S.C.A.	10 500 000	4.78%
Aviva OFE	7 013 700	3.19%
Other Shareholders	44 118 023	20.10%

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

*** Gosha Holding S.à.r.l. is a legal entity closely associated with Mr. Henry McGovern and Mr. Steven Kent Winegar, members of AmRest's Board of Directors.*

Changes in the Parent Company's Governing Bodies

On 14 March 2018 AmRest received a confirmation of the registration on 12 March 2018 of its registered office in Pozuelo de Alarcón, Madrid, Spain. Due to that change the corporate structure of the Company has changed into one-tier board system. Currently, the only body which is in charge of governing the Company is the Board of Directors. According to the resolution adopted by the Extraordinary General Meeting of AmRest Holdings SE on 5 October 2017 the composition of the Board of Directors is as follows:

- Mr. José Parés Gutiérrez - Chairman of the Board
- Mr. Luis Miguel Álvarez Pérez – Vice-Chairman of the Board
- Mr. Carlos Fernández González - Member of the Board
- Mr. Henry McGovern – Executive Director, Member of the Board
- Mr. Steven Kent Winegar Clark - Member of the Board
- Mr. Pablo Castilla Reparaz - Member of the Board
- Mr. Mustafa Ogretici - Member of the Board

- Eduardo Rodríguez-Rovira Rodríguez (Secretary, non-Board member)
- Jaime Tarrero Martos (Deputy Secretary, non-Board member)

As at the day of publication of this Report the composition of the Board of Directors remains the same.

Changes in the number of shares held by members of the Board of Directors

During the year 2018 the following changes occurred with respect to AmRest shares and stock options held by the members of the Board of Directors of AmRest.

According to the best knowledge of AmRest, following members of the Board of Directors owned in this reporting period the Issuer's shares: Mr. Henry McGovern, Mr. Carlos Fernández González and Mr. Steven Kent Winegar Clark.

The data as at 31 December 2018 were impacted by recent increase of the nominal value of the Company shares, share split and share capital increase through a private placement (all events were described in point "Significant events and transactions in 2018", pages 21-23),

As at 31 December 2017 Mr. Henry McGovern held directly 7 234 shares of the Company with a total nominal value of EUR 72.34. On 31 December 2018 he held 172 340 AmRest's shares with a total nominal value of EUR 17 234.

As at 31 December 2017 Gosha Holdings S.a.r.l. - the closely associated person of Mr. Henry McGovern and Mr. Steven Kent Winegar Clark (the Company's Board of Directors members) held 2 463 511 the AmRest's shares with a total nominal value of EUR 24 635.11. On 31 December 2018 Gosha Holdings S.a.r.l. held 23 426 313 shares of the Company with a total nominal value of EUR 2 342 631,3.

As at 31 December 2017 FCapital Dutch B.V. – the closely associated person of Mr. Carlos Fernández González (member of the Company's Board of Directors) held 11 959 697 AmRest's shares with a total nominal value of EUR 119 596.97. On 31 December 2018 FCapital Dutch B.V. held 123 777 447 shares of the Company with a total nominal value of EUR 12 377 744.7.

Transactions on own shares concluded by AmRest

The commencement of the purchase of treasury shares occurred on the basis of Resolution No. 7 of the General Meeting of the Company of 19 May 2015 concerning the authorization for the Management Board to acquire treasury shares in the Company and the establishment of reserve capital and (replacing it) Resolution No. 9 of the General Meeting of the Company of 6 June 2018 concerning the authorization to the Board of Directors for the derivative acquisition of the Company's own shares made directly by the Company or indirectly through its subsidiaries as well as for the sale of the own shares.

In 2018 the Company was acquiring the own shares for the purposes of

- Execution of stock option programs: Employee Stock Option Plan and Management Incentive Plan,

- Securing the equivalent of EUR 13 million in own shares in order to enable planned payment to Mr. Grégory Marciano and Mr. Adrien de Schompré resulting from the acquisition of Sushi Shop Group SAS described in note "Significant events and transactions" of this Directors' Report.

In the period between 1 January 2018 and 31 December 2018, AmRest purchased a total of 926 076 own shares with a total nominal value of EUR 92 607.6 and representing 0.422% of the share capital for a total price of approx. PLN 41 million (EUR 9.4 million). During the same period, the Company disposed a total of 588 048 own shares with a total nominal value of EUR 58 804.8 and representing 0.343% of the share capital to entitled participants of the stock options plans. Disposal transactions under these plans were executed in three settlement methods, which impacted the sale price. Major part of the shares was transferred to the participants free of charge. As at 31 December 2018 AmRest held 1 586 738 own shares with a total nominal value of EUR 158 673.8 and representing 0.647% of the share capital.

The subsidiaries of AmRest Holdings SE do not hold any Company's shares.

Dividends paid and received

In the period covered by these Consolidated Financial Statements the Group has paid a dividend to non-controlling interest of SCM s.r.o amounting to EUR 13 thousand (CZK 339 thousand).

Average period of payment to suppliers

Pursuant to Law 15/2010 of July 5, which stipulates measures to combat late payments in commercial transactions, the information on the average period of payment to suppliers of AmRest and its Spanish subsidiaries at 31 December 2018 and 2017 is as follows:

	2018	2017
Number of days:		
Average period of payment to suppliers	22.78	19.48
Ratio of payments	22.96	19.46
Ratio of outstanding invoices	20.28	19.73
Millions of EUR:		
Total payments	176.8	147.0
Outstanding invoices	12.3	11.8

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

Subsequent events

There have been no significant events or transactions that occurred between 31 December 2018 and the date of authorization for issue of this Directors' Report (27 February 2019).

Factors impacting the Group's development

The Board of Directors of AmRest believes that the following factors will have a significant effect on the Group's future development and results.

External factors

- 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 all countries where the business is run,
- 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.

Internal factors

- 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.

Basic risks and threats the Group is exposed to

The Board of Directors 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 to 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 Board of Directors of AmRest is permanently analyzing and reviewing risks to which the Group 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.

Factors remaining outside the Group's control

This risk is related to the effect of factors remaining outside the Group'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.

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 and Slovakia until 2031.

Dependency on cooperation with minority shareholders

AmRest opens Starbucks restaurants in Poland, the Czech Republic and Hungary based on a partnership agreements with Starbucks Coffee International, Inc. The partnership assumes Starbucks Coffee International, Inc. is the minority shareholder of companies operating Starbucks stores in mentioned countries. Therefore, some decisions as part of the joint business activities are dependent on the partners' consent.

The 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. If AmRest fails 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 these companies by acquiring shares from AmRest Sp. z o.o. at a price agreed between the parties based on the valuation of the companies.

No exclusivity rights

The franchising agreements concerning running of KFC, Pizza Hut Dine-In (excluding Russia and Germany) and Burger King (excluding Czech Republic and Slovakia) brands do not contain provisions on granting AmRest any exclusivity 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 Group) should appear who would be able to effectively compete with the AmRest Group restaurants is relatively limited.

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

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 unfavorable 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 Group. 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 these markets.

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 unfavorable 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, KABB, Bacoa and Sushi Shop, and as a result of revealing unfavorable 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, KABB, Bacoa and Sushi Shop, 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.

Risk related to keeping key personnel in the Group

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.

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 Group 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.

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 Group cannot rule out the risk related to delivery deficits or interruptions caused by factors such as unfavorable 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 Group 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.

Risk related to developing new brands

AmRest has operated Blue Frog, KABB, Bacoa and Sushi Shop 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.

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.

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 Group 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.

Risk related to the current geopolitical situation

The Company conducts its business in countries where political situation is uncertain, e.g. Russia and Iran. In Iran the Company has just one Sushi Shop franchisee, for which AmRest is exploring alternatives not to remain present in that country. 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 the Management's expectations however it is being monitored in order to adjusts strategic intentions and operational decisions, which will minimize business risks.

Risk related to the pending exit of the UK from the European Union

It is difficult to predict how the possible exit of the United Kingdom from the European Union may affect the financial markets. Despite the fact that AmRest runs only few restaurants in the UK, the risk of adverse effects of Brexit on economy of different UE countries (where the Company operates its business) cannot be entirely excluded.

Risk of increased financial costs

The Issuer and its subsidiaries are exposed to a certain extent to adverse impact of interest rate fluctuations in connection with obtaining financing which bears floating interest rates and investing in assets bearing floating interest rates. The interest rates of bank loans and borrowings and issued bonds are based on a combination of fixed and floating reference rates which are updated over periods shorter than one year. 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.

Liquidity risk

The Group is exposed to the risk of lack of financing at the moment of maturity of bank loans and bonds. As at 31 December 2018, the Group had enough short-term assets, including cash and promised credit limits, to fulfil is liabilities due in the next 12 months.

Tax risk

In the process of managing and making strategic decisions, which can affect the tax settlements, AmRest is exposed to tax risk. All irregularities occurring in tax settlements increase of the risk of dispute in the case of a potential tax control. As part of these risks' minimalization, AmRest takes care of deepening the knowledge of its employees in the area of tax risk management and compliance with respective legal requirements. The Company implements adequate procedures to facilitate the identification and subsequent reduction or elimination of risks in the area of tax settlements.

Moreover, in connection with frequent legislative changes, inconsistency of regulations, as well as differences in interpretation of legal regulations, AmRest uses professional tax advisory services and applies for binding interpretations of the tax law provisions.

Current fiscal supervisions are presented in Note 12 to the Consolidated Financial Statements as at December 31st, 2018.

Credit risk

Exposure to credit risk include cash and cash equivalents and trade and other receivables. With the development of franchise business, AmRest is getting exposed more to credit risk. Therefore the quality of franchisees portfolio is key priority.

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.

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.

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 Group 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.

Cyberattack risk

Group's operations are supported by wide variety of IT systems, including point-of-sale systems, electronic ordering platforms, supply-chain management systems and finance and controlling tools. Consequently, the Group is exposed to the risk of temporary operational disruption, data integrity risk and/or unauthorized access to confidential data, which may be a result of both intentional cyberattack or an unintentional event. In order to mitigate these risks, the Group established specialized IT-security unit and implemented appropriate cybersecurity risk mitigation tools, including security polices, personnel training and technical prevention countermeasures.

Activity in Research and Development area

AmRest does not perform any significant activity in the Research and Development area.

(all figures in EUR millions unless stated otherwise)

Financial data of AmRest for 3 and 12 months ended 31 December 2018

Condensed consolidated income statement for 3 and 12 months ended 31 December 2018

	year ended		3 months ended	
	31 December 2018	31 December 2017 (*restated**)	31 December 2018	31 December 2017 (*restated**)
Continuing operations				
Restaurant sales	1 460.6	1 162.3	418.3	336.7
Franchise and other sales	86.3	75.6	24.6	22.4
Total revenue	**1 546.9**	**1 237.90**	**442.9**	**359.1**
Restaurant expenses:				
Food and merchandise	-416.8	-338.5	-118.6	-98.8
Payroll, social security and employee benefits	-375.1	-282.1	-109.9	-81.6
Royalties	-74.6	-59.4	-20.6	-17.5
Occupancy and other operating expenses	-433.4	-353.9	-123.9	-103.1
Franchise and other expenses	-62.3	-50.3	-17.7	-17.1
General and administrative expenses	-115.1	-91.1	-34.3	-26.2
Total operating costs and losses	**-1 477.3**	**-1 175.3**	**-428.4**	**-348.6**
Net impairment losses on financial assets	-1.5	-1.9	0.0	0.0
Net impairment losses on other assets	-8.0	-5.9	-3.2	-4.3
Other operating income/expenses	11.5	7.9	5.1	2.0
Profit from operations	**71.6**	**62.7**	19.6	10.7
Finance income	2.7	0.8	2.0	0.3
Finance costs	-16.8	-14	-5.4	-4.3
Profit before tax	**57.5**	**49.5**	16.1	6.7
Income tax	-16.2	-6.8	-5.0	2.7
Profit for the period	**41.3**	**42.7**	**11.1**	**9.4**
Profit attributable to:				
Shareholders of the parent	43.0	42.9	11.7	10.3
Non-controlling interests	-1.7	-0.2	-0.6	-0.8
Profit for the period	**41.3**	**42.7**	**11.1**	**9.4**
Basic earnings per ordinary share in EUR	0.20	0.20	0.05	0.05
Diluted earnings per ordinary share in EUR	0.20	0.20	0.05	0.05

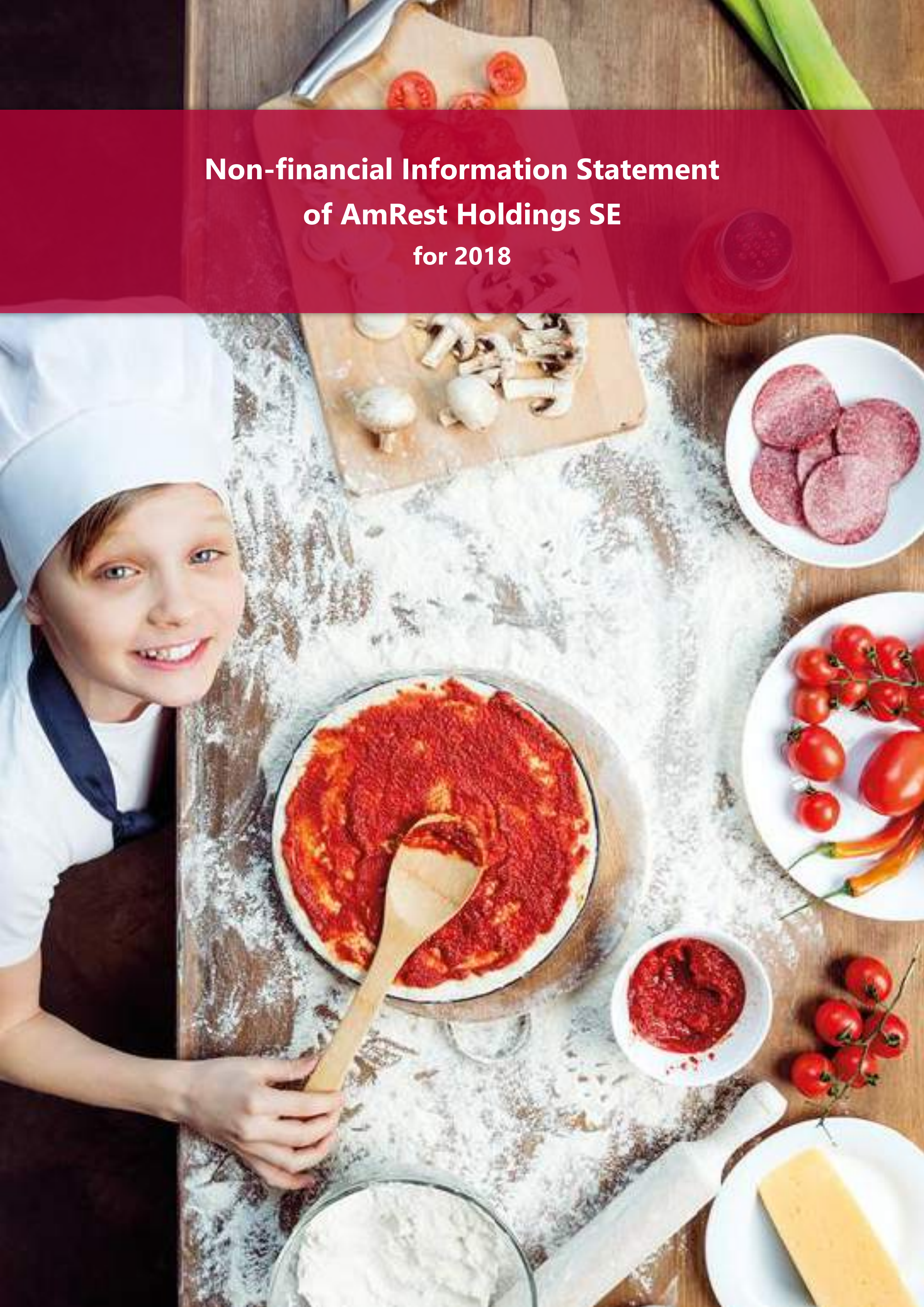
**The restatement was described in note 41 to the Consolidated Annual Financial Statements for 2018.*

The statements contained in this Director's Report may contain certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management and are not a guarantee of future performance or developments. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. The Group does not intend to update or otherwise revise such forward-looking statements, whether as a result of new information, future events or otherwise.

Reliance on any forward-looking statements involves known and unknown risks and uncertainties and, accordingly, readers are strongly cautioned to not place reliance on any forward-looking information or statements.

Non-financial Information Statement of AmRest Holdings SE

for 2018



INTRODUCTION

This document is the statement of the non-financial information of AmRest Holdings SE for 2018. The group has been disclosing non-financial information since 2017, when it did so in accordance with Polish law. Due to moving the domicile of AmRest Holdings SE to Spain in 2018, the group discloses its non-financial information in accordance with Spanish law.

Since March 2018 the company's domicile has been located on the Enrique Granados 6, 28224 Pozuelo de Alarcón (Madrid), Spain. Previously, the company had its registered office in Wroclaw, Poland.

For the purposes of this document, the following should be understood to mean the same: AmRest Holdings SE, AmRest, the AmRest group and the group.

The statement is an independent part of the Consolidated Director's Report for 2018 and includes information concerning all the subsidiaries to AmRest Holdings SE.

The statement has been prepared in accordance with the provisions of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups the Royal Decree-Law 18/2017 and Law 11/2018, of December 28, which modifies the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of July 2, and Law 22 / 2015, of July 20, of Audit of Accounts, in the field of non-financial information and diversity, which transposes to the Spanish legal order the Directive 2014/95/ EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information.

The statement has been verified by independent KPMG Asesores, S.L... The preparation of this statement coincided with the drafting of AmRest's 2018 Sustainable Development Report, which is a separate document of a broader scope devised in accordance with the **GRI Sustainability Reporting Standards.** Consequently, numerical and descriptive information in the statement is displayed in line with the GRI Standards indices. GRI Standards also influenced the presentation of the outcomes of policies implemented with regard to social, environmental, employee, anti-corruption and human rights issues, as well as the prioritization of the topics discussed in the statement.

AMREST'S BUSINESS MODEL AND OPERATIONS IN 2018

AmRest Holdings SE is an independent restaurant company operating in Central and Eastern Europe, Western Europe, Russia, China and, as of 2018, the Middle East.

As a restaurant operator AmRest serves meals in more than 2000 locations across 26 countries, mostly in Europe. The corporate group operates self-owned restaurants and franchises. AmRest offers on-premise and off-premise dining, including drive-thru windows, takeout for pickup, phone and online ordering.

AmRest operates in the following categories of the food serving industry: Quick Service, Fast Casual, Casual Dining and Cafe. At the end of 2018 its brand portfolio included 4 franchise brands (KFC, Pizza Hut, Burger King, Starbucks) and 5 self-owned brands (La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop). Bacoa and Sushi Shop were acquired in 2018. AmRest restaurants serve high-quality meals made from fresh products following original recipes and strict standards of each of the brands.

Currently, AmRest operates **2126** restaurants in **26 countries**, including Poland, the Czech Republic, Hungary, Russia, Romania, Bulgaria, Serbia, Croatia, Slovakia, Austria, Slovenia, Spain, France, Germany, Portugal, China, Armenia, Azerbaijan, Belgium, Italy, Switzerland, Luxembourg, the UK, the UAE, Saudi Arabia and Iran.

The table below outlines the different brands' business models.

Brand	Business model
KFC	AmRest operates KFC restaurants under a franchise granted by Yum! Brands Inc. The first AmRest-operated KFC store opened in 1995 in Szczecin, Poland. In May 2005 AmRest took over 8 Big Food Ford restaurants in the Czech Republic and remodeled them into KFC outlets. In 2006 AmRest acquired rights to KFC restaurants in Hungary. In July 2007 the group took over 22 KFC restaurants in Russia. In 2017 AmRest also took over 15 restaurants in Germany and 37 in France and opened its first KFC restaurants in Austria and Slovenia. Currently, AmRest operates KFC restaurants in 12 markets. In 2018 AmRest took over 20 KFC restaurants in France.
Pizza Hut	AmRest operates Pizza Hut restaurants under a franchise granted by Yum! Brands Inc. The history of AmRest started with the opening of the first Pizza Hut restaurant in Wrocław, Poland. Since October 1, 2016 AmRest has been Pizza Hut's master franchisee and can grant Pizza Hut Express and Pizza Hut Delivery franchises to third parties in Central and Eastern Europe, while operating a certain number of restaurants directly. AmRest is also the master franchisee for Pizza Hut restaurants acquired in France in May 2017 and in Germany in July 2017, which means it has the exclusive right to grant franchising permits to third parties. In 2017 AmRest opened the first Pizza Hut restaurant in the Czech Republic. In September 2018 the first Pizza Hut restaurant was opened in Slovakia. Currently, AmRest operates Pizza Hut restaurants in 9 markets in total. In 2018 the group took over the Pizza Hut business in Russia, Armenia and Azerbaijan (the chain included 16 equity stores and 28 franchise restaurants).
Starbucks	Starbucks coffee houses in Poland, the Czech Republic and Hungary are set up by partnership of AmRest (82%) and Starbucks Coffee International Inc. (18%), which holds rights and licenses to develop and operate Starbucks cafes. Starbucks coffee houses in Romania and Bulgaria were acquired from Marinopoulos Coffee SEE B.V. in June 2015, while those in Germany were acquired from Starbucks Coffee EMEA B.V. in 2016. In Slovakia AmRest operates self-owned. In 2018 Starbucks cafes were present in 7 markets.
Burger King	Burger King restaurants operate under a franchise awarded by Burger King Europe GmbH. In May 2007 AmRest opened the first Burger King restaurant in Warsaw, Poland (Złote Tarasy shopping mall). AmRest operates Burger King outlets in Poland, Bulgaria, the Czech Republic and, as of 2018, Slovakia. In the end of 2018 AmRest signed the Development Agreements regarding future development of the brand in Poland, Czech Republic, Slovakia, Romania and Bulgaria.
La Tagliatella	La Tagliatella is AmRest's self-owned brand acquired in April 2011. La Tagliatella restaurants are operated by AmRest and its franchisees. Currently, they are present in 4 countries: Spain, Portugal, France and Germany.
Blue Frog	AmRest became an owner of the Blue Frog brand in December 2012 by becoming the majority shareholder in Blue Horizon Hospitality Group LTD. In 2017 AmRest bought out the minority shareholder, becoming the sole owner of the brand and its business in China. In 2017 the company started to build the brand's presence in Europe, opening first restaurants in Poland and Spain.

Brand	Business model
KABB	AmRest became an owner of the KABB brand in December 2012 by purchasing the majority stock in Blue Horizon Hospitality Group LTD. In 2017 AmRest bought out the minority shareholder, becoming the sole owner of the brand and its business in China.
PizzaPortal.pl	In 2017 AmRest acquired Restaurant Partner Polska (RPP). Under the contract, AmRest purchased a 51% stake in RPP, becoming the majority shareholder in the company. RPP operates PizzaPortal.pl, an online food ordering service that handles orders from over 2500 restaurants in nearly 400 Polish towns and cities.
Sushi Shop	Sushi Shop became part of AmRest's portfolio in October 2018. Sushi Shop operates a chain of 171 Japanese restaurants, one-third of which are franchised out. Sushi Shop is present in France (72% of all restaurants) and 11 different countries, including Spain, Belgium, Luxemburg, the UK, Germany, Switzerland, Italy and Iran, Saudi Arabia and UAE. Delivery orders account for 55% of the group's sales, while sales for takeout stand at 32%.
Bacoa	Bacoa is a chain of 7 premium burger restaurants located in three cities in Spain (Barcelona, Madrid, Lleida). The brand became part of AmRest's portfolio in 2018. Established in 2010, the company operates self-owned restaurants and franchises. Bacoa value proposition is based on fresh, natural, eco products sourced from expert suppliers and a central kitchen that delivers high-quality burgers in trendy surroundings.

AmRest's 2018 strategy focused on the development and expansion of its mature brands and expanding the portfolio to include new market leaders. As a result, AmRest took over Pizza Hut restaurants in Russia, Armenia and Azerbaijan, along with KFC restaurants in France. The group also acquired Sushi Shop Group, a major sushi chain, and Bacoa, a leading premium burger brand. In 2018 AmRest opened 280 restaurants (both equity and franchised).

The business model enabled AmRest to grow dynamically and deliver satisfactory financial results, while respecting the natural environment and focusing on customers and their satisfaction.

The table below presents AmRest's growth between 2015 and 2018. The restaurant count includes self-owned restaurants and franchises.

Table: AmRest's growth

Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2018
904 restaurants	1181 restaurants	1639[1] restaurants	2126 restaurants

Before the first non-financial reporting process, AmRest conducted a survey among external stakeholders. The most important topics indicated by stakeholders were: environmental issues, relations with employees and suppliers and the quality of raw food materials and food safety. As part of the study, there were also telephone interviews conducted with stakeholders important to AmRest.

Before the second reporting process in AmRest, a workshop was conducted with the participation of key managers, where topics and activities relating to responsible business in the company were raised. Key topics were: digitalization throughout the organization, integration of markets, entering new markets and adding new brands to AmRest's portfolio, as well as employee issues.

1 restated (1636 were reported in 2017)

AmRest's operational activities take into account the trends and challenges of sustainable development for the restaurant industry, as well as the implementation of the UN Sustainable Development Goals 2015-2030. As part of its continuous improvement, the AmRest Group plans to revise the Responsible Business and Sustainable Development Strategy of AmRest's Central European Division for 2015-2020 (CSR Strategy) and to extend its reach to the global level.

AmRest believes that it is its obligation to pay legally due taxes in any territory where it operates in accordance with the existing legal provisions. AmRest follows the relevant rules when determining the amount of its tax liabilities, submitting tax returns, paying taxes and disclosing information to tax authorities.

In order to ensure its compliance with existing tax laws, regulations and principles, AmRest has put in place effective control mechanisms. AmRest's tax professionals monitor the tax situation of the group and any changes in tax laws and practices which may impact the business and its growth. AmRest makes significant investments in people, material resources and technology to ensure that this tax strategy is applied throughout the organization.

Some countries in the tables below have reported a zero tax as a result of settling losses from previous years.

British Virgin Islands, Hong Kong, Samoa, Singapore are not included in the table. In these countries, no tax was paid because no income was generated.

Table: The benefits obtained in 2018 by country

Profit/(loss) before tax	
Country	**Value in EURO**
Austria	-748 275,02
Bulgaria	208 944,84
Croatia	-1 235 965,09
Czech Republic	22 401 542,94
China	1 388 367,86
France	-3 826 902,30
Germany	-11 655 131,01
Hungary	11 961 087,50
Poland	1 919 009,84
Portugal	-356 706,64
Romania	3 608 800,88
Russia	6 781 201,25
Serbia	-218 767,23
Slovakia	-226 142,29
Slovenia	-323 946,51
Spain	39 408 634,12
USA	-2 156 700,05

The above data were derived from input data received from subsidiaries for the purpose of preparation of consolidated financial statements before any consolidation eliminations and adjustments.

Table: Taxes in 2018 by country

Taxes on paid benefits		
Bulgaria	59 026,10	WHT
	138 544,00	PIT, payroll and freelancer agreements
	1 088,54	CIT taxes, incl. social and representatives (no CIT Profit taxes, only representative)
	13 243,50	Property taxes (Paid directly to leaseholders)
China	738 816,00	Individual Income Tax
	43 266,30	Stamp duty
	392 709,00	CIT
Czech Republic	3 558 900,00	CIT, RET, road tax
France	467 857,00	RET, other direct taxes
Germany	139 696,39	RET, trade tax
Hungary	2 756 208,51	CIT
Malta	5 964,00	CIT
Poland	2 102 221,69	CIT, in 2018 Polish entities have utilized tax losses from previous years
	1 280 880,00	WHT
	924,10	commercial RET
Portugal	4 662,41	CIT
Romania	934 620,00	WHT, specific tax paid, employer's contributions (social taxes), operating/building permits/tax on affichage
Slovakia	14 045,12	CIT
Spain	7 372 074,39	CIT
Croatia	0,00	-
Russia	658 166,74	CIT
Serbia	0,00	-
Slovenia	0,00	-

The above data differ to income tax line in the consolidated income statement. Income tax line in consolidated financial statements includes both effect of current income taxes that may be paid or payable as well as deferred taxes accounted during the year.
The above data also differ from income tax paid balance as presented in consolidated statements of cash flows, where only cash flows related to income taxes are disclosed.

Table: The public subsidies received in 2018 by country

The public subsidies received		
Bulgaria	28 293,40	EU grants for youth unemployment
Croatia	4 620,06	Reimbursement for sick leave
China	33 910,40 9308,79	Financial support from the government The individual income tax return from the tax office
Austria	0,00	-
Czech Republic	0,00	-
France	1 643 341,00	CICE, RI Mecenat
Germany	0,00	-
Hungary	0,00	-
Malta	0,00	-
Poland	0,00	-
Portugal	0,00	-
Romania	0,00	-
Russia	0,00	-
Serbia	0,00	-
Slovakia	0,00	-
Slovenia	0,00	-
Spain	870 303,41	CIT Patent box and double taxation relief
USA	0,00	-

The Board of Directors is concerned about sustainable development issues, which is why in 2018 a decision was made to create global policies concerning social, economic and environmental issues.

In December 2018 AmRest's Board of Directors approved a number of global policies regulating different areas of the group's operations and impacts. The table below presents the key documents regulating social, employee, environmental, human rights, and anti-corruption, anti-bribery and anti-money laundering issues. The policies will be communicated and implemented across the organization in 2019.

AmRest audits its processes in line with its policies.

Table: AmRest's key global policies

Policies in force in 2018[2]					
	social matters	employee matters	environment matters	human rights	anti-corruption matters
Code of Business Conduct	✓	✓		✓	✓
Talent Acquisition and Retention		✓			
Diversity Policy	✓	✓		✓	
Food Safety Fundamentals	✓				
Supply Approval Process	✓				
Brand Protection Monitoring System	✓				
Procurement Procedure	✓				✓

New policies implemented in 2019					
	social matters	employee matters	environment matters	human rights	anti-corruption matters
Code of Business Conduct (revised)	✓	✓		✓	✓
Conflicts of Interest Policy	✓	✓			✓
CSR Policy	✓	✓	✓	✓	
Crime Prevention, Anti-bribery and Anti-corruption Policy	✓	✓	✓	✓	✓
Director Selection Policy		✓			
Gender Policy		✓		✓	
Risk Management Policy	✓	✓	✓		✓
Whistleblowing Policy	✓	✓	✓	✓	✓
Regulatory Compliance Policy	✓	✓	✓	✓	✓

KEY NON-FINANCIAL FACTORS

2018 was a year of transformative changes for AmRest Holdings SE. The capital group:

1. continued to expand rapidly, opening 280 restaurants (251 equity and 29 franchised restaurants);
2. closed five key M&As which led to:
    a. the takeover of the Pizza Hut business in Russia, Armenia and Azerbaijan (16 equity restaurants and 28 franchise restaurants)
    b. the takeover of Bacoa, Spain's top burger chain (4 franchise restaurants, 2 self-owned restaurants)

2 Policies are enforced by conducting internal and external audits (e.g regarding the Procurement Procedure).

c. the takeover of the Sushi Shop Group, Europe's leading sushi concept (171 restaurants) and the takeover of 15 KFC restaurants in France (Paris).

3. The purchase of a 10% stake in Glovo, Spain's leading food delivery service;
4. Consequently, AmRest entered 10 new countries.
5. On 12 March 2018 AmRest moved its registered office from Wrocław, Poland, to Madrid, Spain, becoming a Spanish company.
6. On 21 November 2018 AmRest got listed on the Spanish Stock Exchanges: the Madrid Stock Exchange, the Barcelona Stock Exchange, the Bilbao Stock Exchange and the Valencia Stock Exchange. The company is also listed on the Warsaw Stock Exchange.

In 2018 AmRest Holdings SE **operated 2126 restaurants and coffee houses, both equity and franchised in 26 countries:** Poland, the Czech Republic, Hungary, Russia, Romania, Bulgaria, Serbia, Croatia, Slovakia, Austria, Slovenia, Spain, France, Germany, Portugal, China, Armenia, Azerbaijan, Belgium, Italy, Switzerland, Luxembourg, the UK, the UAE, Saudi Arabia and Iran.
In 2018 AmRest entered the following new markets: Armenia, Azerbaijan, Belgium, Italy, Switzerland, Luxembourg, the UK, the UAE, Saudi Arabia and Iran.
In 2018 AmRest's restaurants and coffee houses handled ca. 228 700 000 transactions[3], which is 15% more than in 2017.

Table: Restaurants operated by AmRest Holdings SE in 2018 by country

Country	Restaurant count 2018	Country (new markets)	Restaurant count 2018
Poland	515	Armenia	2
Spain	326	Azerbaijan	2
Germany	253	Belgium	8
France	322	Italy	3
Russia	244	Switzerland	6
Czech Republic	162	Luxembourg	2
Hungary	104	UK	5
China	63	UAE	8
Romania	46	Saudi Arabia	3
Bulgaria	19	Iran	1
Croatia	8		
Serbia	8		
Slovakia	9		
Austria	1		
Portugal	5		
Slovenia	1		
Total restaurant count in 2018:	2126		

3 Does not include Sushi Shop Group, Pizza Hut France and Germany and KABB in China.

Table: Restaurants and coffee houses operated by AmRest Holdings SE in 2018 by brand

Brand	Restaurant count (2017)	Restaurant count (2018)	Self-owned restaurants	Franchise restaurants	No. of countries where the brand was present in 2018*
KFC	669	**779**	779	0	12
Pizza Hut	330	**449**	227	222	9
Starbucks	301	**341**	341	0	7
La Tagliatella	236	**249**	82	167	4
Burger King	54	**60**	60	0	4
Blue Frog	45	**67**	65	2	3
KAAB	4	**3**	3	0	1
Sushi Shop	0	**171**	107	64	12
Bacoa	0	**7**	3	4	1
Total number of restaurant and coffee houses	1 639	**2126**	**1667**	**459**	*AmRest operates in 26 countries in total

Table: AmRest's self-owned and franchised restaurants and coffee houses opened in 2018 by brand

Brand	Equity	Franchised	Total
KFC	93		93
Pizza Hut	72	11	83
Starbucks	51		51
Blue Frog	20	2	22
La Tagliatella	5	14	19
Burger King	8		8
Sushi Shop	1	2	3
Bacoa	1		1
Total	**251**	**29**	**280**

In 2018 AmRest cooperated with over **14 thousand** business partners: franchisees, franchisors and suppliers. In Poland and Spain total expenditure for local AmRest's suppliers was 86.4%.

Table: Number of AmRest Holdings SE business partners in 2018 by type

Type of partner	2017	2018
Franchisees	161[4]	194
Franchisors	4	4
Suppliers (incl. food suppliers):	11 931 1 167	13846 [5] 1211
Total	**12 150**	14 044

4 restated (215 were reported in 2017)

5 86,6% of all AmRest's suppliers are local companies

Number of AmRest Holdings SE workers

Alongside its rapid growth, rising restaurant count and expansion to new markets, AmRest Holdings SE places strong emphasis on effective recruitment and offering employees attractive working conditions. In 2018 (as of Dec 31, 2018) AmRest Holding SE hired **48 846 employees** across 22 countries[6].

Table: AmRest Holdings SE workers in total and by gender

	2017	2018
No. of workers	**38 273**	**48 846**
incl. women	21 603	26 376
incl. men	16 670	22 470

Table: Total number of AmRest Holdings SE workers by country[6]

Country	TOTAL
Austria	15
Bulgaria	325
China	2 354
Croatia	202
Czech Republic	6 745
France	6 870
Germany	3 072
Hungary	1 824
Poland	15 095
Portugal	55
Romania	590
Russia	6 597
Serbia	242
Slovakia	81
Slovenia	19
Spain	4 175
USA	3
Switzerland	181
United Kingdom	88
Belgium	204
Italy	23
Luxemburg	86
Total	**48 846**

6 AmRest operates in 26 markets, but reports employment in 22 countries, as in 21 countries it has its own restaurants (in which staff is employed by the company) and the USA, where it does not have restaurants, but has employees. Five of AmRest's markets are markets in which franchise restaurants operate, so the staff is not employed directly by the company.

RISK MANAGEMENT AND NON-FINANCIAL RISKS

The AmRest Holdings SE Group (AmRest) identifies financial and non-financial risks and manages them in its companies and at Group level. The risk management system, the internal control system and the review of effectiveness of such systems is supervised by managers responsible for the functions, AmRest Management Team (AmRest Top Management) and ultimately by the Board of Directors of AmRest Holdings SE (AmRest Board of Directors).

The AmRest Top Management performed a review, analysis and classification of risks to which AmRest is exposed to.

The Global Internal Audit Department (reporting directly to the Audit and Control Committee of the AmRest Board of Directors) supports managers (who are responsible for these functions), AmRest Management Team and AmRest Board of Directors in risk management by:

- identifying risks and opportunities and recommending solutions;
- monitoring, verifying and reporting to the AmRest Board of Directors the implementation status declared by the Management action plans addressing identified risks and opportunities;
- up-dating the AmRest Risk Map;

AmRest developed a model to systematize the approach to risk: identification, evaluation and mitigation. One of the elements of the model is the Risk Map, which contains risks arising from the specific nature of AmRest activities. These risks are broken down into strategic, financial, operational and compliance risks and are periodically evaluated by AmRest Management. The Risk Map is one of the information sources for the process of creating the annual and long-term Audit Plan.

AmRest analyses the risks and improves its risk management systems and the internal control systems on an ongoing basis.

Below we present the risks that may have a considerable adverse effect on operating areas of AmRest related to employees and social and environmental issues, as well as corruption prevention and respect for human rights.

Table. Risks that may have a considerable adverse effect on operating areas of AmRest related to human resources and social and environmental issues, as well as corruption prevention and respect for human rights

Issues: S - social, HR - human resources, E - environmental, PHR - protection of human rights, CP - corruption prevention

Risk	Risk description	Possible considerable adverse effect on the issues:				
		S	HR	E	PHR	CP
Risk related to consumption of foods - risk of an accident, food poisoning or other event that results in customer liability	Consumer preferences regarding the AmRest product offered may change as a result of new nutrition trends or unfavourable information about the products or the quality of products sold in restaurants of brands managed by AmRest. This risk is alleviated by **using the highest quality ingredients in AmRest restaurants** – sourced from reputable suppliers, by **complying with strict standards of quality and hygiene control** and by using the latest equipment and processes that ensure the safety of products and food sold.	✓	✓	✓		
Risk related to keeping the employees in key positions	The excessive turnover of key employees may be a serious risk factor for the stability and quality of activities. The		✓			

Risk	Risk description	Possible considerable adverse effect on the issues: S	HR	E	PHR	CP
	system of remuneration and management of human resources developed by AmRest guarantees a low level of rotation at key positions. In addition, the career planning system allows the company to prepare successors who are ready to perform tasks at key positions within the company.					
Risk related to labour costs associated with employees and employment and retention of professional staff	The excessive turnover of staff may be a serious risk factor for the stability and quality of activities. There is a risk of turnover of qualified staff and thus the risk of keeping the catering services at the highest possible level. To avoid the risk of losing qualified staff, it may be necessary to gradually raise salaries. AmRest focuses on creating a friendly, attractive workplace, where the employees and their diversity are respected.	✓	✓		✓	
Risk of financial penalties for incorrect calculation of PIT, social insurance and other employee benefits resulting from an employee's error or a system error or due to differences in interpretation of laws in this regard.	The AmRest Group counteracts the risk of penalties due to not complying with the regulations regarding PIT, social insurance and other employee benefits. AmRest focuses on diligent settlement of financial obligations related to the workplace and relations with employees.		✓			
Risk of breaking the law or other regulations by conducting improper business practices.	The risk of non-compliance of AmRest activities with domestic and international and/or internal regulations and business ethics standards. AmRest addresses this risk with the support of appropriate internal processes and functions (Legal, OHS, HR, Internal Audit, Internal Control, etc.) and by using third-party consultants (legal, tax, environmental protection, OHS, etc.). In addition, besides the management and operational structure responsible for risk management, AmRest has appointed an Ethics Committee and a CSR Committee, consisting of representatives of AmRest managerial staff and employees.	✓	✓	✓	✓	✓
Risk of an accident on the job that jeopardizes health and safety, causes property damage, environmental pollution or deterioration of the company's reputation or other negative consequences.	In order to minimize these types of risks, AmRest implements occupational health and safety rules and procedures in the workplace, conducts training for managers and employees in the area of appropriate rules of conduct and counteracting situations that may result in social, environmental and reputational damages.	✓	✓			
Risk of lack of support for ethical rules by the Top Management and non-ethical behaviour of employees.	Ethical rules adopted by the company might not be supported by the Top Management, which may cause a weakness in the corporate control system and jeopardize the goals of the company. This may increase the risk that employees, by not following the ethics rules, may act dishonestly; for example, they may commit fraud or some other misconduct. AmRest aims to prevent this risk by propagating the Supreme Values and ethical behaviour described in the Code of Business Conduct. An Ethics Committee was also appointed, responsible for resolving issues related to ethics in business. Furthermore, AmRest has developed guidelines, monitors the implementation of the CSR Strategy and has developed the CSR Committee, which consists of the top managerial staff	✓	✓	✓	✓	✓

Risk	Risk description	Possible considerable adverse effect on the issues:				
		S	HR	E	PHR	CP
	and members of the AmRest Management Board. The Internal Control Department monitors and analyses store transactions and performs store audits to identify fraud. The Internal Audit and the Internal Control Department recommends solutions which decrease the risk of fraud.					
Social and environmental risks (CSR viewpoint)	Having implemented the Code of Business Conduct and the CSR Strategy, AmRest prevents, among others, the following risks: ■ negative perception of the company by the public in connection with undue care paid by AmRest to social/public interests; ■ lack of awareness and sensitivity of managers with regard to the ethics and rules of responsible business; ■ major negative impact of the company's operations on the environment; ■ inadequate response to environmental trends; ■ damage to AmRest's reputation caused by AmRest cooperation with unethical suppliers of low reputation; ■ the lack of public knowledge of AmRest involvement in the implementation of goals in the area of ethics and responsible business - unethical practices by AmRest and AmRest employees	✓	✓	✓	✓	✓

The approach to risk management in 2018:

In 2018 there were no situations on a national or international scale related to AmRest operations in any of the markets which had a negative impact on the company or a brand image or reputation.
In a few potential crisis situations that happened during the year, the AmRest Global Crisis Management Procedure was applied effectively to solve the problem.
The Procedure which governs the process of crisis management at AmRest was created in 2015 and since then has been gradually introduced across AmRest markets starting with the key CEE countries: Poland, the Czech Republic, Hungary, Romania and Bulgaria. With the acquisition of the Starbucks business in Germany, the policy was subsequently launched to the Starbucks leaders and operations staff in the market in 2017.
The Procedure has been owned and managed by the AmRest PR Director who is a member of the Core Crisis Team consisting also of the Chief Operations Officer, Brand Presidents and the heads of Legal and HR functions.

Implementation of the AmRest Global Crisis Management Procedure - key actions taken in 2018:

- Launch of the Procedure in the German market through a dedicated session of the German management team comprising of the leaders of all brands operated by AmRest: Starbucks, Pizza Hut and KFC in the market and representatives of the key functions such as HR, legal and communications.
- A workshop on AmRest crisis management and the escalation system for Area Coaches and General Managers of Pizza Hut and KFC in Germany.
- Launch of the procedure in France via a workshop for the Pizza Hut leadership team in the market.
- A series of crisis management workshops for General Managers of all AmRest brands conducted in Poland throughout the year.

- Implementation of the crisis escalation process to the store staff across all AmRest markets via a distribution and posting on the premises of a dedicated sticker with relevant instructions.
- Alignment of the Global Crisis Management Procedure with the AmCare system by creating a new document with guidelines on Issues and Incident Management.

Implementation of the AmRest Global Crisis Management Procedure - activities planned for 2019

Accordingly, in 2019 there is a plan to launch/re-launch the Global Crisis Management Procedure in all AmRest markets, both in equity and franchise stores. Work has also started on a dedicated training module which will be an incremental part of the onboarding process for store employees.

ANTI-CORRUPTION POLICY

In 2018 there was no global anticorruption policy in place for AmRest Holdings SE (AmRest). Anti-corruption issues were regulated in AmRest's **Code of Business Conduct**, which applies to all the executives, employees and contractors of the corporate group, governing their relations with clients, business partners, members of the media, local authorities and communities.

AmRest's procurement (direct procurement, indirect procurement, investments) is governed by **Procurement Procedures** and systems that aim to reduce the risk of corruption, as further explained in Section 8 herein.

Any wrongdoing involving the risk of corruption is systematically reported to AmRest's Management Board, which takes an active part in managing these risks. The key role with regard to eliminating all wrongdoing, including corruption, is played by the Global Internal Audit and Internal Control Department.

In December 2018 the Board of Directors of AmRest Holdings SE passed a set of global documents regulating the prevention of corruption, bribery and money laundering, as well as a whistleblowing policy for the whole organization. The policies and procedures adopted at the end of 2018 will be communicated and implemented in 2019.

The most important of these are: a revised Code of Conduct; The Conflicts of Interest Policy; The Crime Prevention, Anti-bribery and Anti-corruption Policy; The Risk Management Policy; The Whistleblowing Policy and The Regulatory Compliance Policy.

In 2018 AmRest workers could report any wrongdoing, including cases of potential corruption, by:

1. informing their superior,
2. informing the HR Department or the Internal Audit and Internal Control Department,
3. using Speak Openly, a system for reporting any wrongdoing spotted, including cases of potential corruption, either anonymously or openly (Poland, Czech Republic, Hungary).

In 2019 AmRest will implement a global **The AmRest Whistleblowing Policy** in all the countries where it operates to put in place procedures on wrongdoing reporting. Employees will be able to utilize the whistleblowing program to report or share ideas on a variety of matters, including: violations of The Code of Conduct & Ethics, improper accounting, accounting controls, auditing, bribery or kickbacks, conflicts of interest, illegal activities, theft or fraud, discrimination or harassment, workplace violence, health or environmental issues.

The revised **Code of Conduct** also regulates accepting gifts from partners. Under the new provisions, every gift whose value exceeds EUR 100 must be reported to a superior.

The raw materials, products for sale and packaging for AmRest restaurants and coffee stores are ordered by store managers via AmRest systems. The orders, receptions and returns are registered in these systems and controlled by Operational Management, the Finance Department and the Supply Chain Management. There are daily and monthly inventory takings performed by the store managers and verified by regional managers and AmRest auditors. Cost of sales, inventory differences and waste are analysed on a daily basis by OPS[7] management and controlled by auditors.

Most of the purchases of indirect products and services (cleaning products, office materials, spare parts, protective clothes, etc.) are requested in purchase to pay systems and approved according to the spending limit.

Stores have also assigned monthly limits of cash expenses. The rules of Petty Cash use, documentation and settlement are defined in Petty Cash Procedure. Petty Cash expenses are audited by AmRest auditors.

CSR Policy internally regulates all contributions to non-profit organizations and entities.

In 2018 there were no confirmed corruption or money laundering instances at AmRest Holdings SE.

ENVIRONMENTAL ISSUES

Management approach

Environmental issues have a significant influence on the way AmRest Holdings SE's carries out its business. This follows from the fact that the group's management strongly believes that action should be taken to reduce any negative environmental impact. Another factor is that stricter environmental laws are being gradually introduced across different legislations, in particular in the European Union.

Due to legislative differences across the countries where AmRest operates and the group's rapid expansion into new markets, AmRest Holdings SE has not adopted a global environmental policy for the whole group. AmRest however, does expect its subsidiaries across the world to take active steps to protect the environment and optimize its use of natural resources. Additionally, AmRest has adopted a set of global goals for efficient energy use and energy saving that apply to the group as a whole.

AmRest, because of its business model, has no provisions and guarantees for environmental risks.

In 2018 AmRest took determined steps to set energy efficiency targets for **the whole group** and develop methods and tools to reach these targets. The plan has been approved by the Board of Directors and is currently being implemented.
Project name: GREEN! GLOBAL **R**EMODELLING OF **E**NERGY **E**FFICIE**N**CY
Project goal: remodeling of the energy efficiency of new and existing stores to reduce electricity consumption and partially offset energy price increases.

STEP 1. Sustainable energy savings solutions
Target: all stores / brands / countries optimize energy consumption

STEP 2. Electricity contracts management
Target: all countries attain optimized Energy contracts (ordered power, tarrifs, joint purchasing etc.)

STEP 3. Reduce electricity consumption
Target: -3% kWH vs LY, additional -5% kWH vs LY in the long term.

7 OPS means operations (employees of cafes and restaurants).

Environmental issues and priorities are also set out in the Responsible Business and Sustainable Development Strategy of AmRest Central European Division for 2015-2020. In accordance with the strategy, AmRest seeks to act in an eco-friendly manner in all areas of its operations.

Apart from energy efficiency, AmRest Central European Division's environmental goals are reduced water consumption at restaurants and increased use of recyclable packing materials.

AmRest restaurants and coffee houses work to minimize the environmental impact of their operations in accordance with each brand's procedures. This includes acting to increase their energy efficiency and improve waste management.

The following are some examples:

- apart from its obvious social benefits, the scheme of donating surplus food implemented in selected KFC restaurants leads to less organic refuse and food waste.
- equipment operating procedures implemented in each brand help to streamline the food preparation process, reduce electricity consumption and improve waste management (e.g. used oil).

AmRest's Board of Directors analyzes the group's environmental impact and explores possible pro-environmental changes that can be made to make the group's operations more eco-friendly as part of comprehensive risk management. Specific environmental issues are managed by relevant units at the subsidiary level.

For example in Poland, waste management is monitored by the Internal Control Department. The department's Facility Management is responsible for managing the cost of utilities, including energy, and environmental protection.

Store managers also play an important role in managing AmRest's environmental impact.

Due to the fact that AmRest is reporting non-financial data according to Spanish law for the first time and due to the scale of its operations, it has been unable to collect environmental data for 26 countries. Environmental data is reported for 16 markets, as the others joined AmRest with the acquisition of Sushi Shop at the end of October 2018. AmRest was not able to integrate the markets in such a short time to collect all necessary data. In addition, this data would be authoritative, as it would not apply to the full year of operations in the Group's structures. The environmental indicators collected in 2018 are presented below. In the data collection process for 2019, the requirements of Spanish law regarding environmental data reporting will certainly be adhered to.

Energy

In 2018 AmRest Holdings SE used **1 219 045,09 GJ** of electricity and **219 395,8 GJ** of natural gas (excluding Germany and Portugal). In 2017, **122 433 GJ** of natural gas was used in Poland.

Table. AmRest Holdings SE electricity energy consumption in 2017 and 2018 by country (GJ)

Country	2017	2018
Austria	n/a	399,70
Bulgaria	5 586	6 442,60
China	30 766	38 742,70
Croatia	3 311	10 481,00
Czech Republic	93 176	106 073,75
France	76 199	121 814,60
Germany	68 069	80 280,00

Hungary	53 219	69 011,50
Poland	337 559	379 006,40
Rumania	6 805	8 674,84
Russia	119 483	204 815,80
Serbia	4 348	11 460,00
Slovakia	n/a	1 332,00
Slovenia	n/a	957,40
Spain	211 402	179 552,80
Portugal[8]	310	-
TOTAL	**1 010 233**	**1 219 045,09**

Selected energy efficiency solutions implemented[9]:

- Most of AmRest's restaurants and coffee houses are covered by a remotely operated energy consumption monitoring system which makes it possible to analyze energy use at the store level, act to conserve energy and look for optimizations. AmRest intends to implement the system in each of its stores.
- In most markets AmRest uses optimized equipment-operating procedures which are explained in detail in information materials for employees.
- In 2018 AmRest worked out a detailed plan to convert to energy efficient LED lights in its restaurants in Poland, which will make it possible to save approx. 1764254,8 kWh a year.
- AmRest restaurants use motion detectors in utility rooms and restrooms as well as energy efficient ventilators. AmRest also uses air conditioning systems with heat pumps.
- Some of the deep fryers, freezers, ovens and other equipment used in the restaurants are energy-saving devices with ENERGY STAR certificates. Fryers are fitted with a special, energy-saving systems that makes it possible to reduce the amount of oil used.
- KFC, Burger King and Pizza Hut restaurants in Poland recover heat from their refrigeration systems and use it to heat water.
- In 2018 AmRest started working towards developing the first freestanding KFC DT GREEN restaurant with a Leadership in Energy and Environmental Design (LEED) certificate in Poland. The building will be fitted with a solar panel system able to satisfy 2.5-3% of the restaurant's energy needs. The installations will include photovoltaic solar panels, heat recuperators, a Variable Air Volume system, a rainwater harvesting system, and ecological fixtures that reduce water consumption and heat water with energy recovered from refrigeration units. The whole system of outdoor and indoor lighting will use LED lights supported by a smart lighting control system.
- Currently, solar panels are in use in one restaurant in Poland.

8 No detailed data available.

9 In the AmRest Group energy from renewable sources is not used.

Fuel

Table. Fuel consumption by the AmRest car fleet in 2018 (liter)[10]

Metric	Country	DIESEL (liter)	PETROL (liter)
Fuel consumption by the AmRest car fleet in 2018 (liter)	Austria	7 968	0
	Czech Republic	73 020	710
	Germany	89 707	4 875
	Hungary	69 918	2 852
	Poland	447 150	22 163
	Romania	18 372	3 928
	Slovakia	5 630	0
	Spain	48 137	0
	TOTAL	**759 902**	**34 528**

Striving to optimize AmRest's energy use and reduce its electricity consumption, the group also works towards reducing its CO_2 emissions. In 2018 AmRest Holdings SE emitted 54 902,14 tonnes of CO_2 through energy and fuel consumption.

Water

In 2018 AmRest Holdings SE used 2 565 690 m³ of water.

Table. Water withdrawal in 2017 and 2018 by country (m³)

Country	2017 (m³)	2018 (m³)
Austria	n/a	558
Bulgaria	20 876	27 409
China	142 840	155 432
Croatia	7 190	10 957
Czech Republic	161258	169 888
France	621 137	835 316
Germany[11]	-	-
Hungary	83 820	106 854
Poland	443 391	469 779
Romania	69 360	44 292
Russia	240 900	420 000
Serbia	8 090	12 710
Spain	326 149	308 133
Portugal[11]	-	-
Slovakia	n/a	2 583
Slovenia	n/a	1 779
TOTAL	**2 125 011**	**2 565 690**

10 Fuel usage is reported for 8 countries, being the core markets, where employment covers 65% of total number of employees of for the group.
11 No data available. The majority of stores in these countries have water charges included in the rent as a flat fee.

Example of practices for reducing water consumption:

In most newly built restaurants and coffee houses managed by AmRest (KFC, Burger King, Pizza Hut and Starbucks brands) in toilets only wash basins with water-saving aerators and proximity sensors are used.

In most of AmRest's newly built restaurants and coffee houses (KFC, Burger King, Pizza Hut, Starbucks) all toilet sinks use touchless faucets with tap aerators.

Potential effect on biodiversity

The following two areas potentially have the strongest effects on biodiversity in AmRest's value chain:

a. practices used by suppliers of AmRest's key products, in particular their approach to vegetable and crop farming as well as animal husbandry.

b. responsible management of waste generated by restaurants and coffee houses, in particular waste that might contaminate water and soil (e.g. used frying oil) if managed incorrectly.

Waste management

The variety of waste management solutions implemented across individual countries and stores as well as the group's expansion to new markets are the two reasons why AmRest has not adopted a global system of waste management and monitoring. It is also difficult to obtain data on waste production for restaurants and coffee houses located in shopping malls where waste collection and transfer is the responsibility of building managers. AmRest has, nevertheless, defined guidelines that must be followed by restaurant managers and employees, and continually works to raise their awareness on responsible waste management.

Example: Restaurants of individual brands receive detailed instructions on how to manage waste and report their compliance with relevant good practices.

AmRest discloses waste management information in accordance with the relevant provisions existing in each country where it operates.

In 2018 AmRest generated 2 403 tonnes of waste, including 13 tonnes of hazardous waste, in Poland and deposited it to the appropriate waste management company.

Waste generated by some restaurants and coffee houses in Poland and Spain is deposited in waste containers owned by shopping malls. The amount of this waste in not included in AmRest's statistics.

Table. Waste by type and disposal method (tonnes)[12]

Country	Type of waste	Disposal method	Tonnes
Poland	hazardous	recycled	13,26
	non-hazardous	recycled	2 390,00
Spain	hazardous	recycled	0
	non-hazardous	recycled	739,00

AmRest recycles organic waste.

12 Waste by type and disposal method is reported for 2 leading markets, where employment covers 39% of total number of employees of for the group.

Table. Organic waste recycled [kg][13]

Country	Organic waste recycled (kg)
Poland	469 903
Czech Republic	478 650
Hungary	9 614
China	1 460 000

To minimize its potentially negative impact on the environment and biodiversity, AmRest separates used oil and sells it to biofuel producers.

Table. Used oil sold to biofuel producers in 2017 and 2018 by country (kg) [13]

Country	Used oil recycled in 2017 (kg)	Used oil recycled in 2018 (kg)
China	-	60 000
Czech Republic	239 053	236 776
Hungary	78 570	71 749
Poland	393 198	522 166
TOTAL	**710 821**	**890 691**

Practices of key food suppliers

AmRest collaborates with food suppliers that use good environmental practices in farming and animal husbandry. These practices help to protect biodiversity, prevent soil degradation and conserve water resources.

AmRest audits its key suppliers to check their compliance with quality standards and good farm management practices.

For example 100% of suppliers of fresh vegetables in Poland, the Czech Republic, Hungary, Croatia, Slovenia, Serbia and Austria have the Global GAP certification.

Global GAP is a farm management practice assessment scheme that covers farmers/vegetable suppliers. It helps meet the highest standards of safety and quality in food production from field to table. Global GAP focuses on field practices, fertilization, plant protection and irrigation.

Global GAP require onion and lettuce producers to implement practices contributing to the conservation or restoration of biodiversity.

Practices for the conservation of biodiversity include crop rotation, catch crop and manure sterilization, which helps reduce the use of mineral fertilizers. Appropriate management of fallow land and ditches helps conserve species diversity.

The operations are compliant with the Global Gap standards which focus on the conservation of biodiversity as one of the main priorities.

13 Data for organic waste recycled and recycled oil available for 4 countries, where employment covers 53% of total number of employees of for the group.

With biodiversity in mind, larger farmers are required to remove a portion of their land from production (meadows, ditches, catch crop and crop rotation). AmRest's suppliers of foods derived from plants must comply with these requirements.

Compliance with environmental laws

AmRest in Spain: In 2018 no penalties were levied against AmRest in Spain for lack of compliance with relevant environmental laws.

AmRest in Poland: In 2018 no penalties were levied against AmRest in Poland for lack of compliance with relevant environmental laws. The company will, however, have to pay higher fees for failure to conform to prescribed levels of pH or certain substances (phosphorus, suspension, anionic surfactants and nonionic surfactants, depending on the location) in sewage produced by different restaurants. The hike in fees will amount to 37 110,98 Euro in total.

EMPLOYEE ISSUES

AmRest Holdings SE draws its success from the 'Wszystko Jest Możliwe' culture which is strongly rooted in the company's history and focuses on employees as one of its main priorities. AmRest's ambition is to create a safe and friendly workplace that supports diversity and employee growth. Cultural diversity defines AmRest as an international organization and is treated as a source of inspiration. The company fosters a culture of inclusiveness that translates into openness and recruitment of a diverse workforce.

As of December 31, 2018 AmRest Holdings SE employed **48 846** workers across 22 countries[14]. As compared to 2017, the total employee count increased by 27.6%.

Table. AmRest Holdings SE employees in total and by gender in 2018

Employee count	48 846
incl. women	26 376
incl. men	22 470

Table. AmRest Holdings SE employees in total and by category in 2018

Employee count	48 846
Employees of restaurants and coffee houses (OPS)	46 200
Restaurant support team (RST)	2 646

14 AmRest operates in 26 markets, but reports employment in 22 countries, as in 21 countries it has its own restaurants (in which staff is employed by company) and the USA, where it does not have restaurants, but has employees. Five of AmRest's markets are markets in which franchise restaurants operate, so the staff is not employed directly by the company.

Table. AmRest Holdings SE employees by gender and type of employment contract[15]

Permanent contract	**33 041**
incl. women	18 175
incl. men	14 866
Temporary contract	**15 805**
incl. women	8 201
incl. men	7 604

AmRest attracts a large number of young workers. More than 35 000 people working in AmRest restaurants, coffee houses and offices are under 30. They are mostly students and first-time employees. These employees prefer independent contractor agreements to employment contracts. Working flexible hours allows them to balance work and study, gain professional experience and in some cases return to work after a longer break they took for personal reasons or reasons beyond their control.

Types of employment vary across individual legislations. AmRest complies with local contract and employment laws, taking also into consideration each employee's individual needs and preferences.

Policies

In 2018 AmRest Holdings SE and its employees were bound by the group's **Code of Business Conduct**. The code is a set of rules and ethical standards concerning AmRest and its employees in their day-to-day operations. The code regulates AmRest's behavior towards its workers, stressing the importance of diversity and respect in the workplace. Specifically, the code focuses on:

- fostering positive relationships in the workplace;
- a zero-tolerance policy towards any instances of harassment, bullying or violence in the workplace;
- equal development opportunities and diversity;
- a zero-tolerance policy towards any instances of discrimination;
- equality at all stages of employment, including the recruitment process.

In 2018 the Board of Directors approved **a revision of the Code of Business Conduct**. New provisions will be communicated and implemented in 2019. The document has global reach.

AmRest has a global **Diversity Policy**, which fosters respect, employee appreciation and growth in the workplace, contributing to the success to the whole organization - as well as a global policy for **Talent Acquisition and Retention.**

In 2018 the Board of Directors adopted a global **Gender Policy**, which will be implemented and communicated in 2019. The policy complements the Diversity Policy, providing a global framework of basic standards and processes necessary to guarantee gender equality in AmRest's subsidiaries across the world. The policy's provisions follow directly from AmRest's Core Values as well as the company's Code of Business Conduct.

Because AmRest Holdings SE is an international entity, its employees' career development may involve relocation. In 2017 AmRest implemented an employee relocation policy in Poland and in 2018, a policy for international relocation was adopted for the whole organization. The policy's aim is to support employee

15 Due to the fact that AmRest is reporting non-financial data according to Spanish law for the first time and due to the scale of operations, it is not able to collect data including type of employment contract (permanent or temporary) by age or by professional category. The data collection process for 2019 will adhere to these requirements.

mobility and create more career opportunities for AmRest's workers. In 2018 nearly 40 people were relocated internationally. The policy is meant to support employees working in any of the countries where AmRest operates. It is an expression of the 'Wszystko Jest Możliwe' culture and helps relocated employees adapt more easily to new surroundings.

Due to its rapid expansion into new markets and the differences between individual national markets, the company does not have global employment policies. Basic employment matters, including internal organization as well as employee and employer rights and responsibilities are regulated by separate documents adopted by AmRest subsidiaries in accordance with the relevant national laws.

Occupational health and safety is governed by the relevant national laws and not at the organization level. In Poland every AmRest brand has occupational health and safety procedures and manuals as well as occupational risk assessment schemes. AmRest has prepared attractive training materials to promote occupational safety and an e-learning scheme to prevent workplace injuries.

The organization does not have a standardized, global policy concerning the rights of employees leaving the company nor does it have any common approach to labor disconnection.

Outcomes

Career development at AmRest is based on the **Career Redefined** concept, which means that career paths at the company are not defined in a standardized manner. Each employee gets to define and shape their own career, while the company works to provide them with opportunities to grow: new responsibilities or position, transfer to a different unit, moving from the restaurant to the office (or vice versa) or even abroad.

AmRest uses a unique employee promotion process in which the key role is played by a **Review Board.** Having completed most development processes and programs, the employee meets with the Review Board that verifies their knowledge and readiness to be promoted to a higher level.

AmRest is a rapidly growing organization. For this reason, it places a strong emphasis on training and employee development. The company offers a wide array of internal courses (hard and soft skills) led by qualified instructors. What is more, each manager supports their teams, acting as coaches and mentors.

AmRest executives participate in **AmRest University**, a tailored development program that focuses on strategy, finance, leadership and self-awareness. The courses are led by internal instructors, Board members or recognized international experts. AmRest managers advance their skills by participating in **AmCollege and Leadership University of AmRest.**

Store-level managers participate in dedicated development programs depending on their position. Store managers are offered training to develop the skills necessary to effectively manage people and restaurants, including food safety, human resource management, customer service, product marketing, promotion and sales.

Restaurant workers are given job training that includes a customer-focused approach and suggestive selling. Employees not covered by the above-mentioned development programs are offered other training opportunities.

In 2018 AmRest ran **Spread Your Wings** (for the 3rd year in a row), a global development program whose main goal was to identify employees with leadership talents and abilities within the organization and facilitate their growth. In this way, the organization develops the world-class leaders it needs in the context of its dynamic global growth.

Job Performance Appraisal is a formal method of evaluating employee performance in a given period. Based on their evaluation, the employee may qualify for the Spread Your Wings program or an annual bonus. The process involves employee self-evaluation and a performance review by a superior. The scheme applies to store managers as well as office workers in all the countries where AmRest operates. In 2018, thanks to the implementation of new software, the process was standardized across all AmRest markets.

Table. Selected development program outcomes at AmRest in 2018[16]

Review Boards convened	1664
incl. employees who passed the Review Board	1365
Employees evaluated as part of the Job Performance Appraisal	8344
Employees who participated in Spread Your Wings	2000

AmRest crew employees in Poland go through the process of four steps training, preparing them to work in restaurants and coffee houses. The trainings consist of preparation, presentation, guided practice and certification. The total number of training hours of new employees in Poland is 255 470. This concerns restaurant employees of following brands: KFC, Pizza Hut, Burger King, Starbucks and Blue Frog.

100% AmRest's OPS (operations) employees take a mandatory training in health & safety procedures such as washing hands, disinfection of kitchen tools and products temperature control.

AmSpace is an integrated human resources management system and a crucial HR tool in an organization of AmRest's scale. The platform has been gradually implemented in AmRest since 2016. In 2017 it was available to employees of all AmRest human resource management system brands in Poland, the Czech Republic, Hungary and Slovakia. The platform has two modules: (1) internal promotion (training and individual development plans) and (2) succession planning (short and long-term employee development).

In the first quarter of 2018 the system was made available to employees in the Balkans and Romania as well as Pizza Hut and KFC workers in Slovenia and Germany. In the second quarter of 2018 AmSpace was implemented in China and finally in Austria, Russia, Spain and France, making it possible to manage annual performance appraisals in a standardized manner across the world. Currently, AmSpace has nearly 40 000 active users and counting. Most importantly, it is available to users in their native languages.

In 2019 the system will be implemented in new locations and upgraded to offer new features. AmRest collects user feedback on a day-to-day basis to make the system more user-friendly and intuitive.

AmRest uses a flexible working time system. Office workers may work from home or at the office according to their preferred schedule. The company favors the task-based system. Restaurant employees can influence their work schedules, which makes it easier for them to juggle personal life and work, including shift work.

In 2018 AmRest commissioned a Fun at Work Survey across Poland. The results showed that employee appreciation is one of the top qualities Poles look for in an employer (94%). It plays an important role in fostering employee engagement. In 2019 AmRest plans to commission an employee satisfaction survey focusing on fun at work and employee appreciation.

16 AmRest offers a multitude of global training programs as well as different training courses within individual markets. For this reason, it is impossible to calculate the number of total training hours or training hours per employee in a given period. AmRest works to ensure that its employees across different organizational units and levels have access to appropriate training and development programs.

Actions aimed to facilitate the enjoyment of conciliation and encourage the co-responsible exercise of these by both parents in Spain:

a. Sharing internal information channels to ensure that employees are informed of the legal possibilities of conciliation

- Monitoring of the equality plan established in the company
- Ensuring options such as the adaptation of the working timetable instead of reducing the working day in order to avoid changes in salaries.

b. Discussions with unions to find new initiatives on a regular basis

Table. AmRest Holdings SE employees by age and country

Country	Age			Total
	Number of employees under 30	Number of employees 30-50	Number of employees over 50	
Austria	12	3	0	15
Bulgaria	253	72	0	325
China	1 502	687	160	2 354
Croatia	138	64	0	202
Czech Republic	5 568	1 051	126	6 745
France	4 734	1 902	213	6 870
Germany	1 807	1 173	92	3 072
Hungary	1 249	491	84	1 824
Poland	12 092	2 710	293	15 095
Portugal	33	19	3	55
Romania	468	120	2	590
Russia	5 689	805	103	6 597
Serbia	212	30	0	242
Slovakia	74	7	0	81
Slovenia	12	7	0	19
Spain	2 536	1 514	125	4 175
USA	0	0	3	3
Switzerland	116	61	4	181
UK	47	39	2	88
Belgium	128	72	4	204
Italy	8	14	1	23
Luxembourg	37	36	13	86
TOTAL	**36 715**	**10 877**	**1 228**	**48 846**

Table. AmRest Holdings SE employees by age and category

(Employee categories: OPS operations - employees of coffee houses and restaurants; RST - restaurant support team)

Age	Employee category		Total
	RST	OPS	
Number of employees under 30	931	35 784	**36715**
Number of employees 30-50	1 589	9 288	**10 877**
Number of employees over 50	126	1 128	**1 254**
Total	**2646**	**46 200**	**48 846**

Table. AmRest Holdings SE employees by type of employment and gender

Full-time employees	20 809
incl. women	11 498
incl. men	9 311
Part-time employees	28 037
incl. women	14 878
incl. men	13 159

Table. Employees in Poland by type of contract, age and gender[17]

	Gender	Age		
		Number of employees under 30	Number of employees 30-50	Number of employees over 50
Temporary contract	women	3 331	160	26
	men	3 062	115	9
Permanent contract	women	3 400	1 603	183
	men	2 299	832	75

Table. Average annual salary by gender, positioning within organization and divisions (Asia, Western Europe, Eastern Europe, Central Europe) in Euro, in 2018

	Level	Men	Women
Asia	L1	6 103	5 775
	L2	11 931	10 692
	L3	15 815	14 938
	L4	25 210	24 048
	L5	40 380	46 073

17 Due to the fact that AmRest Group does not have a global HR tool and due to the scale of operations, it is not able to collect data for the whole Group. The figures in the table above concern Poland, which employment covers 30,9% of total number of employees of for the group. The data collection process for 2019 will adhere to these requirements.

	Level	Men	Women
Western Europe	L1	15 710	15 870
	L2	21 574	22 235
	L3	24 422	26 136
	L4	36 349	33 826
	L5	59 878	63 321
	L6	106 270	101 727
Eastern Europe	L1	3 583	3 628
	L2	5 419	5 193
	L3	7 978	6 925
	L4	10 914	9 107
	L5	22 355	23 032
Central Europe	L1	7 483	7 379
	L2	9 679	9 390
	L3	13 163	12 408
	L4	19 176	17 651
	L5	36 971	35 539
	L6	71 297	64 899

Table. Total salary pay gap between men and women by position within the organization[18]

Level	Ratio of women's average wages to average wages of men
L1	98,6 %
L2	97,5 %
L3	94,9 %
L4	94,1 %
L5	99,6 %
L6	108,0 %

Table. Total annual remuneration of Board of Directors, including variable remuneration, allowances, compensation in 2018

DIRECTORS	Amount (EURO)
TOTAL REMUNERATIONS	**€1 872 754,50**
fixed	€ 868 875,96
variable	€ 971 360,91
other	€ 32 517,63
allowances	€ 0,00

The detailed information regarding the remuneration of Board of Directors by person is available in Remuneration Report placed on the website: https://www.cnmv.es together with AmRest Annual Account for the year 2018.

18 The figures represent 7 of the main countries of the Group, where remuneration data are comparable between 6 category levels.

Table. Total annual remuneration of Managers, including variable remuneration, allowances, compensation in 2018

MANAGERS	Amount (EURO)
TOTAL REMUNERATIONS	**€ 2 150 666,65**
fixed	€ 1 545 028,23
variable	€ 605 638,42
other	€ 0,00
allowances	€ 0,00

Managers should be understood as group of person discharging managerial responsibilities (senior management staff who are not executive directors). Average fixed remuneration of Managers by gender in 2018 was as follows: men EUR 202 472, women EUR 241 025. Variable part of Managers' remuneration represents mostly exercise of share option plans. These are long-term incentive plans (life of options is up to 10 years), with dates and amounts of exercise dependent solely on the Employee decision, after fulfilling vesting conditions. Due to their non-recurring and long-term characteristics, calculation of average annual amount of share option plans would be misleading.

Currently in Spain and Poland payment to systems of forecast of long-term savings are not included. There is no common approach in the Group to this issue.

Table. Indicators of diversity[19]

	Number of employees	Percentage of all employees[20]
Ancestry and ethnic origin	5881	12%
Disability	981	2%

Table: Employees covered by collective bargaining agreements[21]

Country	Number of employees
France	3 039
Germany	2 884
Portugal	55
Spain	4 069
Total	**10 047**

19 Data presented for 17 countries. Due to the fact that AmRest is reporting non-financial data according to Spanish law for the first time and due to the scale of operations, it is not able to collect data for all countries where AmRest has employees. The data collection process for 2019 will adhere to these requirements.
20 Number of all employees: 48 846.
21 Collective bargaining agreements do not work in other countries of employment. The data represents 20,57% of employees of AmRest Group.

Table: Number of dismissals by country, gender and employee category in 2018[22]

(Employee categories: OPS - operations - employees of coffee houses and restaurants; RST - restaurant support team)

Country	Gender	Employee category	Total	
Austria	women	OPS	10	26
		RST	0	
	men	OPS	13	
		RST	3	
Bulgaria	women	OPS	24	39
		RST	0	
	men	OPS	15	
		RST	0	
China	women	OPS	2	10
		RST	2	
	men	OPS	3	
		RST	3	
Croatia	women	OPS	3	7
		RST	0	
	men	OPS	4	
		RST	0	
Czech	women	OPS	189	426
		RST	2	
	men	OPS	234	
		RST	1	
France	women	OPS	394	796
		RST	2	
	men	OPS	399	
		RST	1	
Germany	women	OPS	144	414
		RST	1	
	men	OPS	265	
		RST	4	
Hungary	women	OPS	298	577
		RST	0	
	men	OPS	279	
		RST	0	
Poland	women	OPS	23	67
		RST	4	
	men	OPS	37	
		RST	3	
Portugal	women	OPS	0	0
		RST	0	
	men	OPS	0	
		RST	0	
Romania	women	OPS	9	21
		RST	0	
	men	OPS	12	
		RST	0	
Russia	women	OPS	0	0
		RST	0	
	men	OPS	0	
		RST	0	

22 Due to the fact that AmRest is reporting non-financial data according to Spanish law for the first time and due to the scale of operations, it is not able to collect data including the number of dismissals by age for all countries, where AmRest has employees. The data collection process for 2019 will adhere to these requirements.

Country	Gender	Employee category	Total	
Serbia	women	OPS	0	2
		RST	0	
	men	OPS	2	
		RST	0	
Slovakia	women	OPS	39	58
		RST	0	
	men	OPS	17	
		RST	2	
Slovenia	women	OPS	0	1
		RST	0	
	men	OPS	1	
		RST	0	
Spain	women	OPS	89	200
		RST	1	
	men	OPS	108	
		RST	2	
USA	women	OPS	0	0
		RST	0	
	men	OPS	0	
		RST	0	

Table. Workplace injury rates in in AmRest Group[23]

		Total
Work-related injuries	men	206
	women	246
Injury rate for employees[24]	men	12,16
	women	11,73
Work-related fatalities	men	0
	women	0
Absenteeism among employees[25]	men	930625
	women	2708421
Type of injuries	- broken hands and legs - bone fractures - dislocations or sprains or tears - hot water, steam or chemical burns - internal injures	

23 The data applies to all AmRest markets excluding Germany and countries where Sushi Shop Group is present. Data represents 88,75% of AmRest employees.

24 Number of accidents / number of employees * 1000.

25 This includes absences from work because of incapacity of any kind, not just as the result of work-related injury or disease.

Permitted leave absences such as holidays, study, maternity or paternity leave, and compassionate leave are excluded.

The respective data as at the end of the reporting period should be reported. The data is reported in hours.

SOCIAL ISSUES

With regard to social issues and the social impact, two aspects are crucial for AmRest Holdings SE business:

the impact on consumers: product safety and quality, consumer satisfaction;

social engagement: in particular projects that benefit local communities.

Social policies and their outcomes: product safety and quality

One of the key responsibilities of AmRest Holdings SE is to ensure the safety and quality of the products served in its restaurants and coffee houses. The group's objective is to apply the highest product safety and quality standards throughout the supply chain and source fresh produce from local suppliers.

Food quality and safety is one of the four key priorities of the Responsible Business and Sustainable Development Strategy of AmRest Central European Division for 2015-2020 (CSR Strategy). In 2018 the strategy regulated AmRest Holdings SE operations in the Central European Division. Over the next few years the document will be revised and implemented in the remaining markets.

The CSR Strategy identifies the following key topics in 'Our Food' focus area:

- food quality and safety
- responsible procurement and sales
- transparent disclosure of nutrition facts

The **strategic activities in** 'Our Food' focus area are:

- product monitoring: laboratory tests according to an annual plan;
- supplier monitoring: audits of key suppliers;
- implementation of an annual plan for increasing the transparency of the quality and safety information concerning products and meals offered to customers;
- developing cooperation with local suppliers

Each of the brands in the AmRest Holdings SE portfolio has its own strict food safety policies and makes sure that they are diligently followed. What is more, AmRest applies global food safety rules set out in its **Food Safety Fundamentals (FSF)**. The FSF is a global document addressed to the different groups of people responsible for food safety and quality control across the organization. It is not directly applicable at restaurant-level. Instead, it provides a foundation on which food safety standards for each brand and country are based. The FSF is also the reference point for evaluating food safety in new markets where AmRest enters. Each market and brand is different, yet - regardless of local laws, individual standards and procedures – they all must meet a certain food safety level required by AmRest.

AmRest Holdings SE carries out regular food quality tests and supplier audits. The scope and rules of supplier audits are set out in the **Supplier Approval Process**, while food quality checks are governed by the **Brand Protection Monitoring System (BPMS)**, which focuses mainly on food safety.

The BPMS is applied in: Poland, the Czech Republic, Hungary, Bulgaria, Serbia, Croatia and Austria with regard to the KFC, Burger King and Pizza Hut brands. Product quality tests are carried out according to strict standards established for each of the brands AmRest operates as they all differ in terms of the type of products offered (and produce used) and the risks and threats they face as identified by the group based on its long-term experience in brand management.

Each restaurant operated by AmRest requires specific products that meet certain requirements. That is why, the group puts strong emphasis on direct, day-to-day contact with its suppliers and is involved in perfecting the production, storing and transport of the products it purchases. AmRest's suppliers are reliable, experienced producers and market leaders in product quality. AmRest's Supply Approval Process applies in all of the markets where the group operates.

AmRest uses three separate procurement channels, each regulated by different policies and procedures:

- SCM: direct procurement and some of the investment procurement
- Indirect Procurement Department
- Investment Department

SCM purchases are regulated by the **Procurement Procedure**. It applies in the CEE markets (and will be implemented in the French and German markets). The Procedure indicates which documentation is needed before signing up a new supplier; when and how often tendering should take place; and governs the tender approval process. This is an audit requirement applicable within different product groups. SCM purchases are also governed by the Supplier Approval Process, which applies globally, except for the Chinese and Spanish markets.

The Indirect Procurement Department makes purchases based on AmRest's **Global Procurement Procedure** applicable across the whole group, with the possible exception of Spain and China, which have local policies that overlap with the global policy.

The **Cost Management Procedure** governs the expenses incurred within the entire group by the Investment Department.

Table: AmRest Holdings SE procurement budget in the Spanish and Polish markets

Supplier category	Budget share
Local suppliers	86.4%
Foreign suppliers	13.6%

In 2018 100% of the suppliers providing fresh fruit and vegetables to AmRest's restaurants in the Central European Division (Poland, Czech Republic, Hungary, Croatia, Slovakia, Austria, Serbia) received the **Global GAP certification**. Global GAP is a farm management practice assessment scheme that helps meet the highest standards of safety and quality in food production from field to table. Global GAP focuses on field practices, fertilization, plant protection and irrigation.

AmRest's restaurants and coffee houses are meticulously inspected for food safety. Individual inspection standards and schedules are applied across the different brands to account for their specific needs. All inspections are unannounced and carried out by independent internal and external auditors. Inspection results are uploaded to an online system and analyzed. If the outcome is not satisfactory, a corrective plan is put in place.

AmRest Holdings SE is committed to ensure food safety and quality. This objective is achieved through:

- systems designed to track expiration dates and manage inventory rotation
- procedures for all OPS employees according to food safety rules such as washing hands during the shifts, disinfection of kitchen equipment and products temperature control
- an order management system that helps restaurant and coffee houses managers optimize the quantity of products they order and ensure that the inventory is always fresh
- cold and freezer rooms fitted with electronic temperature control systems and professional food storage equipment as well as special door curtains help eliminate sudden changes of temperature
- highly effective, professional cleaning agents/disinfectants as well as specific devices to make dosing more efficient; continual monitoring of agent concentration to ensure maximum effectiveness

- systems to ensure that employees wash/disinfect their hands
- periodical training sessions on hygiene and quality maintenance standards
- unannounced inspections at restaurants carried out by internal and independent auditors
- food safety management procedures to ensure top quality and safety at the restaurants
- control systems for thermal processing – e.g. frying or roasting – which guarantee the best food quality and safety.

Consumer satisfaction surveys

Customers' opinions play an important role in the way AmRest manages and develops its business. Consumer feedback informs the decision-making processes concerning all AmRest brands across the world. Consumer satisfaction is the best indicator of how likely they are to return to the restaurant in the future.

Consumer complaints are handled by AmRest's Customer Care Department. A complaint is understood to mean an expression of dissatisfaction with a product or service made by an internal or external customer verbally or in writing. A complaint may be justified or stem from a misunderstanding or unrealistic expectation of a product or service. In any case, the way in which a complaint is handled influences the customer's general satisfaction and may influence their long-term loyalty.

Customers who are not happy with the service at AmRest's restaurants may offer feedback:

- through online contact forms available on KFC, Pizza Hut, Starbucks, Burger King, AmRest.eu websites
- by phone
- through a questionnaire available at every restaurant and on the brand's website
- by e-mail
- directly to the staff of the restaurant (who may ask the customer to file the complaint in writing)
- through the brand's social media pages

The total number of complaints received in 2018 was 84 000 for all AmRest markets.

The maximum resolve time is 72 hours.

The complaints-handling processes are governed by separate policies for different markets. Each complaint is going to the Owner and to the subject matter experts aligned to the approved communication flow. The Owner is resolving the case according to the policies, hospitality standards within expected SLA tracked by online consumer feedback management system called AmCare.

Following their visit to an AmRest restaurant, customers are invited to take part in an online survey (the frequency is determined at POS level). Every operational leader (restaurant manager) may personally access the survey results. Based on customer feedback reports, the management team sets weekly priorities to increase customer satisfaction at the restaurant, regional, district and market level.

Table: Overall consumer satisfaction in 2018 by brand

Brand	Score*
Blue Frog	72
Burger King	69
KAAB	71
KFC	75
La Tagliatella	71
Pizza Hut	73
Starbucks	83

* The percentage of customers who gave the brand the highest rating when questioned about their overall satisfaction (maximum score = 100% responses offering the highest overall satisfaction rating)

Table: Number of customer inquiries made in 2018 by brand from all markets

Brand	No. of inquiries
Blue Frog	20 000
Burger King	25 000
KAAB	1 000
KFC	185 000
La Tagliatella	70 000
Pizza Hut	60 000
Starbucks	90 000

Customer satisfaction results are communicated down from top management (brand CEOs) to the business unit level (restaurant managers) during operational meetings. All consumer satisfaction results are available in a web-based consumer feedback system which facilitates making fast and well-informed decisions to ensure that AmRest's restaurants continue to upgrade their offer.

In 2018 AmRest launched **AmCare**, a consumer feedback management system that aggregates consumer opinions, complaints or suggestions and is available on various electronic devices, including smartphones.

In 2018 AmCare offered 7-day-a-week customer support to customers in Poland and Starbucks guests in Germany. AmRest plans to make the service available to customers in the other markets in 2019. In 2018 over 1000 AmRest restaurants had access to AmCare. More than 1000 workers and users completed their training and use the service on a daily basis.

The service gathers feedback from various sources, including online contact forms, Google, Facebook comments, e-mails, customer satisfaction surveys, etc. at the organization level.

The system manages the following processes:

- incident management, incl. fast communication within AmRest via text messages
- complaints management
- management of requests & suggestions
- recognition management

AmCare's characteristics:

- The service is accessible from different devices, including smartphones.
- It offers customized user access depending on the user's position in the hierarchy.
- Customer feedback is managed by the Customer Care Team, then communicated to the owners (RST or OPS, depending on the issue), supervisors and other experts according to the communication matrixes.
- All feedback replies go through AmCare, including replies to Google reviews. All AmCare users use standardized reply templates to provide the right customer experience.
- Each AmCare user receives notifications about the status of each individual instance of customer feedback via email, and in the case of incidents or potential incidents, also via a text message.

AmRest pays attention to the needs of customers with disabilities. This is reflected in the design of the restaurants, their layout and furnishings. Every new opening is designed in line with the local accessibility regulations. AmRest's general accessibility standards include:

- dedicated parking spaces for people with disabilities located near the main entrance in the case of freestanding and DT locations;
- adequate pavement width for convenient access to the restaurant;
- accessible entrance to the restaurant;
- wide passages in the dining space;
- furniture of accessible size and height;
- accessible toilet of convenient size and fixtures.

In addition, our Starbucks stores are designed in line with Starbucks commitment to social equity and the brand's long-standing policies on global human rights. When thinking about accessibility, we go beyond wheelchair access: we also make sure to accommodate the elderly and the hearing and visually impaired.

Social engagement

AmRest Holdings SE is a socially responsible business that pays attention to its environmental impact and giving back to local communities. Because the group operates in a variety of markets, it has not put in place a global social engagement policy that applies across the group's companies and markets. As AmRest highly values diversity, its companies are free to become engaged in community service projects that fulfill local needs and are adapted to suit local culture.

The social engagement of AmRest Holdings SE is governed by the **Responsible Business and Sustainable Development Strategy of AmRest Central European Division (AmRest Central Europe) for 2015-2020 (CSR Strategy)**, which identifies local communities as one of its focus areas. The Strategy lists children's and youth development as well as employee volunteering schemes as key social engagement priorities.

Selected strategic goals:

- AmRest is perceived as a socially responsible business that helps solve important social issues **in its closest environment**.
- AmRest supports its employees' engagement in **local initiatives,** and inspires action by providing its employees with the right tools to give back to and support external community service projects.

AmRest's and its employees' approach to their social environment is regulated in the **Code of Business Conduct,** which obliges AmRest workers to be responsible members of their local communities. They are also encouraged to act for the benefit of others and support charity initiatives and educational projects.
In 2018 AmRest Holdings SE spent EUR 121 307 on social causes.

Table: Expenditure on community service projects by country

Country	Amount spent on community service projects (EUR)
Poland	57 423
Germany	49 470
Russia	3 764
Hungary	3 400
Czech Republic	6 250
Spain	1 000
Total	**121 307**

Community service projects carried out in 2018 in Spain:

- Donation of a projector to Down Lleida and a culinary workshop for young people with Down Syndrome to help them start an independent life (Lleida);
- Fostering a volunteering solidarity act Posa't la Gorra with the Children's Cancer Association;
- Mini chef workshop for the children of the staff of the Lleida power station in the Rovira Roure restaurant and participation in an act of solidarity organized by the Children's Cancer Association (Lleida);
- Sponsoring the Down Lleida race by buying T-shirts for all the contestants of that race (Lleida);
- Amici basket donation to a raffle in some summer schools sponsored by the Club Natació Lleida. The money raised went entirely to the Cancer Association;
- KFC: joining the Harvest project.

AmRest is determined to work to reduce food waste. In 2018 a few of AmRest's brands were involved in two such schemes: **Harvest** and **Too Good To Go**.

AmRest launched **Harvest** in 2016. It is a scheme of donating surplus food from KFC restaurants to institutions and organizations that support those in need. In 2018 Harvest operated across KFC restaurants in Poland, Hungary, Serbia, Bulgaria and Spain. In 2018 Pizza Hut and Blue Frog implemented a pilot version. Overall, Harvest donations in 2018 exceeded 180 thousand kilograms of food worth over 1 million euro in total.

Table: Harvest: key figures (2018)

	KFC	Pizza Hut	Blue Frog	Total
Amount of food donated (kg)	187 598	173	451	**188 222**
Value of food donated (euro)	1 177 635	4 519	5 115	**1 187 269**
No. of participating stores	265	1	1	**267**
No. of participating markets	5	1	1	7

Table: Harvest by country and brand

HARVEST at AmRest	No. of participating KFC restaurants	No. of participating Pizza Hut restaurants	No. of participating Blue Frog restaurants
Poland	209	1	1
Spain	10		
Hungary	34		
Bulgaria	4		
Serbia	8		
Total	265	1	1

Sushi Shop is part of **Too Good To Go**, another important project aimed at reducing food waste in the food service industry. The scheme is web-driven, with an app informing users at the end of the working day where they can buy surplus food at a significantly reduced rate. The user can track restaurants participating in the scheme. The discounts reach up to 50% off the regular price. In this way, instead of throwing food away, Sushi Shop sells it via the app. In 2018 the scheme covered 74 Sushi Shop restaurants across 5 countries (France, Belgium, the UK, Germany, Spain). AmRest plans to bring more of its brands into the scheme in 2019.

Table: Too Good To Go in Europe: key figures

No. of meals saved	55 572
Tonnes of less CO_2	170
Net profit (euro)	309 249
Value of saved waste (euro)	7 193
No. of unique consumers	32 490

In 2018 as many as 2524 AmRest workers participated in 118 employee volunteering projects benefiting 9580 people across Poland, Germany, Russia, Hungary, the Czech Republic and Spain.

AmRest implemented exactly 28 grant programs as part of the employee volunteering scheme in Poland. AmRest workers were engaged in the ecological campaign **Dotlenieni.org** launched a few years back by Fundacja Rozwój [Development Foundation]. The initiative has participants planting trees, bushes and flowers to improve air quality in Polish cities.

As part of the Zupa na Wolności [The Soup in the Liberty Square] project, volunteers served hot meals to the homeless in the Wrocław town square on a weekly basis in 2018. One of the initiators behind the project is an AmRest worker who applied for an AmRest grant to fund it. Thanks to the grant, she was able to prepare the meals in a professionally-equipped kitchen. Helping with the project were also AmRest Volunteers, as well as beneficiaries of the SIEMACHA Spot Wrocław, a day support centre for children and young people.

Starbucks employees in Hungary were involved in the following projects: rubbish collecting activities on playgrounds, painting developmental games on a schoolyard, careers orientation day at SOS Children's Villages, a seminar to introduce Starbucks via games to children living in children's homes, planting, painting bands/seats and decorations at a school, spring welcoming activity in a kindergarten.

AmRest volunteers in Russia carried out the following activities: supporting six children's homes (in 3 cities), providing food for the homeless in the winter season, participating in a charity race, participating in a money drive, collecting clothes for the poor, providing support to animal shelters.

The employee volunteering scheme in selected countries[26]

	Spain	Poland	Germany	Russia	Hungary	Czech Republic	Total
No. of volunteering projects carried out	8	35	4	48	9	8	**112**
No. of employee volunteers	8	250	150	2000	86	30	**2524**
No. of beneficiaries	100	2500	480	6000	350	150	**9580**

HUMAN RIGHTS POLICIES

In 2018 AmRest had local policies which adopted the most recent corporate governance practices. In 2018 AmRest did not have a separate policy on human rights abuses prevention applicable across the organization. It did, however, adopt regulations for this effect to be implemented in 2019. Human rights issues in the workplace are covered by the group's **Code of Business Conduct** and **Diversity Policy**, both of which were binding for all AmRest employees in 2018.

At the end of 2018 the Board of Directors adopted a set of global documents defining and regulating human rights issues at AmRest:

- **a revised Code of Business Conduct** introducing a zero tolerance policy regarding any behavior associated with harassment, bullying or violence in the workplace, while prescribing equality at all stages of recruitment and employment
- **The CSR Policy** defining respect for human rights as the foundation of ethical and responsible business
- **The Crime Prevention, Anti-bribery and Anti-corruption Policy** defining and prohibiting human trafficking, discrimination against foreigners, child prostitution, sexual harassment, corruption and violations of basic human rights and freedoms defined in the Constitution
- **Gender Policy,** a global framework which defines the core standards and sets out the organizational mechanisms to ensure gender equality in AmRest entities worldwide; the provisions of the Policy stem directly from AmRest Core Values, supplemented by the Code of Business Conduct
- **Whistleblowing Policy** indicating ways of reporting wrongdoing in the organization, including cases of potential human rights abuses
- **Regulatory Compliance Policy** identifying the mechanisms and procedures aimed at preventing and dealing with cases of unethical behavior, illegal practices or legal breaches.

The documents will be gradually implemented into the organization in 2019.

The main changes in The Code of Business Conduct concern the By-laws of the Ethics Committee, whose goal is to promote the company's culture and Core Values. The Committee members are appointed by the CPO (Chief People Officer), who is also its chair. The Committee must consist of at least 5 members, including:

- the CPO,
- a representative of the Internal Audit Department,
- a representative of the Legal Department,

26 The figures concern the biggest and most significant markets where social projects implemented with the support of employee volunteering are important to AmRest. The number of volunteering schemes has not been checked in other countries.

- a representative of the Employee Relations Department,
- a representative of the Public Relations Department,
- a representative of each country/region Country Leadership Team (CLT).

In 2018 a set of tools was implemented to reinforce ethics and integrity within the company's Core Values:

- the Ethics Committee model was refreshed: reinforcing Core Values became one of its priorities and representatives of all AmRest markets were invited to participate
- Country Leadership Teams were established: one of their tasks is linked with Core Values and Ethics
- Core Values calibration sessions were provided to the Ethics Committee and CLTs
- New Core Values training was launched for new employees as part of the onboarding process
- New online training was prepared for employees in the training system

AmRest employees in Hungary, Czech and Poland may report any wrongdoing, including cases of bullying and human rights abuses in the workplace, using **Speak Openly - a platform operated by an independent entity** which makes it possible to report an issue anonymously through a dedicated website or a helpline. A summary of the reported problems is passed on to the Ethics Committee.

In Spain employees can report any irregularities regarding the observance of human rights in the workplace and relationships at work using several methods such as emails: contactakfc@amrest.eu, contactalatagliatella@amrest.eu.

As an international franchise, AmRest places diversity at the centre of its corporate culture. In 2018 AmRest signed a **Diversity Charter in Poland**. Supported by the European Commission, the EU Platform of Diversity Charters is an international initiative whose aim is to promote diversity and equal opportunities in the workplace. Signatories commit to ban discrimination in their organization's workplace, work to achieve diversity and inclusiveness, and encourage its employees, business partners and stakeholders to follow suit. Signing a charter is a step towards advancing social cohesion and equality. In Poland the signatory process is coordinated by the Responsible Business Forum.

In 2018 there were **no confirmed discrimination instances** at AmRest Holdings SE.

GRI STANDARDS CONTENT INDEX

Code	Information requested under the Law 11/2018 (Non-financial statement)	Linking with GRI indicators (Guidance)	AmRest Management Report page
0.	**General information**		
0.1	**Business model**		
0.1.a	Brief description of the group's business model (business environment and organization)	102-2 Activities, brands, products, and services 102-7 Size of the organization	41 – 43 48
0.1.b	Geographical presence	102-3 Location of headquarters 102-4 Location of operations 102-6 Markets served	41 48 48
0.1.c	Objectives and strategies of the organization	102-14 Declaration of senior executives responsible for decision-making (vision and strategy related to the management of economic, social, and environmental impacts)	43 – 44, 46, 55 – 56, 71, 75
0.1.d	Main factors and trends that may affect your future evolution	102-15 Main impacts, risks, and opportunities	51 – 53
0.2	**General**		
0.2.1	Indicate the national, European or international reporting framework in the report that is used for the selection of key non-financial performance indicators included in each of the sections	102-54 Declaration of preparation of the report in accordance with GRI Standards	41
0.2.2	If the company complies with the non-financial information law by issuing a separate report, it must be expressly stated that said information is part of the management report	n.a.	41
1.	**Environmental questions**		
1.1	**General information**		
1.1.a	A description of the **policies** applied by the group with respect to these issues, which will include due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, and to verification and control, including what measures have been adopted.	103-2 The management approach and its components	47, 51 – 55
1.1.b	The **results of these policies**, including key **indicators** of relevant non-financial results that allow the monitoring and evaluation of progress and that favor the comparability between societies and sectors, in accordance with the national, European or international reference frameworks used for each subject.	103-2 The management approach and its components 103-3 Evaluation of the management approach	47 51 – 59
1.1.c	The **main risks** related to these issues involving the activities of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in these areas, and how the group manages such risks, explaining the **procedures used to detect and evaluate them** in accordance with national, European or international reference frameworks for each matter. Information on the **impacts** that have been detected must be included and broken down, in particular on the main **short-, medium-, and long-term risks**.	102-15 Main impacts, risks and opportunities	51 – 54
1.1	**Detailed information**		
1.1.1	**General detailed information**		
1.1.1.1	On current and foreseeable effects of the activities of the company on the environment and, where appropriate, health and safety	-	55 – 59,
1.1.1.2	On environmental assessment or certification procedures	-	55
1.1.1.3	On the resources dedicated to the prevention of environmental risks	-	55 – 59
1.1.4	On the application of the precautionary principle	102-11 Precautionary principle or approach	51, 53 – 54

1.1.5	About the resources dedicated to the prevention of environmental risks	-	55 – 59
1.1.2	**Contamination**		
1.1.2.1	Measures to prevent, reduce or repair emissions that seriously affect the environment; taking into account any form of air pollution specific to an activity, including noise and light pollution.	305-5 Reduction of GHG emissions 305-6 Emissions of substances that deplete the ozone layer (ODS) 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	58 n.a. n.a.
1.1.3	**Circular economy and waste prevention and management**		
1.1.3.1	Prevention, recycling, reuse, other forms of recovery and types of waste disposal; actions to combat food waste	301-2 Recycled supplies 301-3 Reused products and packaging materials 303-3 Recycled and reused water 306-1 Water discharge according to quality and destination 306-2 Waste by type and disposal method	59 – 61
1.1.4	**Sustainable use of resources**		
1.1.4.1	Water consumption and water supply according to local constraints	303-1 Water extraction by source 303-2 Water sources significantly affected by water withdrawal	58 – 59
1.1.4.2	Use of raw materials and measures taken to improve the efficiency of their utilization	301-1 Materials used by weight or volume	60
1.1.4.3	Energy use, direct and indirect	302-1 Energy use within the organization 302-2 Energy use outside of the organization	57 n.a.
1.1.4.4	Measures taken to improve energy efficiency	302-4 Reduction of energy consumption 302-5 Reduction of the energy requirements for products and services	55 – 57 n.a.
1.1.4.5	Use of renewable energies	302-1 Energy use within the organization	57
1.1.5	**Climate change**		
1.1.5.1	The important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	305-1 Direct GHG emissions (scope 1) 305-2 Indirect GHG emissions from energy generation (scope 2) 305-3 Other indirect GHG emissions (scope 3)	58
1.1.5.2	Measures taken to adapt to the consequences of climate change	201-2 Financial implications and other risks and opportunities arising from climate change	52, 55 – 56
1.1.5.3	Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and measures implemented for that purpose	305-5 Reduction of GHG emissions	58
1.1.16	**Protection of biodiversity**		
1.1.6.1	Measures taken to protect or restore biodiversity	304-3 Protected or restored habitats	59 – 61
1.1.6.2	Impacts caused by activities or operations in protected areas	304-2 Significant impacts of activities, products, and services on biodiversity	59 – 61

2. Social and personnel questions

2.1 General information

2.1.a	A description of the **policies** applied by the group with respect to these issues, which shall include due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, and to verification and control, including which specific measures have been adopted.	103-2 The management approach and its components	47, 62 – 63, 71 – 72, 75 – 76
2.1.b	The **results of these policies**, including key **indicators** of relevant non-financial results that allow the monitoring and evaluation of progress and that favor the comparability between societies and sectors, in accordance with the national, European or international reference frameworks used for each subject.	103-2 The management approach and its components 103-3 Evaluation of the management approach	63 – 64, 71 – 72, 75 – 77

2.1.c	The **main risks** related to these issues involving the activities of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in these areas, and how the group manages such risks, explaining the **procedures used to detect and evaluate them** in accordance with national, European or international reference frameworks for each matter. Information on the **impacts** that have been detected must be included and broken down, in particular on the main **short-, medium-, and long-term risks.**	102-15 Main impacts, risks and opportunities	51 – 54, 71
2. 2	**Detailed information**		
2.2.1	**Employees**		
2.2.1.1	Total number and distribution of employees according to representative diversity criteria (gender, age, country, etc.)	102-8 Information on employees and other workers 405-1 Diversity in governing bodies and employees	65
2.2.1.2	Total number and distribution of work contract modalities, annual average of permanent contracts, temporary contracts and part-time contracts by sex, age, and professional classification	102-8 Information on employees and other workers	62, 65
2.2.1.3	Number of dismissals by sex, age, and professional classification	401-1 New employee hiring and staff rotation	69 – 70
2.2.1.4	The average remunerations and their evolution disaggregated by sex, age, and professional classification or equal value	102-38 Total annual compensation ratio 102-39 Percentage increase rate for the total annual compensation	66 – 67
2.2.1.5	Salary gap, remuneration paid for equal work or the average salary of the company	405-2 Ratio of basic salary and remuneration of women to men	67
2.2.1.6	The average remuneration of directors and executives, including variable remuneration, allowances, and compensation	-	67 – 68
2.2.1.7	Payment to long-term forecast savings and any other perception broken down by gender	201-3 Obligations of the defined benefit plan and other retirement plans	68
2.2.1.8	Implementation of employment termination policies	-	63
2.2.1.9	Employees with disabilities	405-1 Diversity in governing bodies and employees	68
2.2.2	**Work organization**		
2.2.2.1	Work schedule organization	-	64
2.2.2.2	Number of hours of absenteeism	403-2 Types and frequency of accidents, occupational illnesses, days lost, absenteeism, and number of deaths due to work-related accidents or occupational illnesses	70
2.2.2.3	Measures designed to facilitate access to mediation resources and encourage the responsible use of these by both parents	401-3 Parental leave	64
2.2.3	**Health and safety**		
2.2.3.1	Work health and safety conditions	403-3 Workers with high incidence or high risk of diseases related to their activity	63
2.2.3.2	Work accidents, in particular their frequency and severity, as well as occupational diseases; disaggregated by gender.	403-2 Types and frequency of accidents, occupational illnesses, days lost, absenteeism, and number of deaths due to work-related accidents or occupational illnesses	70
2.2.4	**Social relationships**		
2.2.4.1	Organization of social dialog, including procedures to inform and consult staff and negotiate with them	102-43 Approach to interest group participation 402-1 Minimum notice periods for operational changes 403-1 Representation of workers in formal worker-company health and safety committees	n.a.
2.2.4.2	Percentage of employees covered by collective agreement by country	102-41 Collective bargaining agreements	68

2.2.4.3	The balance of collective agreements, particularly in the field of health and safety at work	403-4 Health and safety issues addressed in formal agreements with unions	n.a.
2.2.5	**Training**		
2.2.5.1	Policies implemented for training activities	404-2 Programs to improve employee abilities and transition assistance programs	63 - 64
2.2.5.2	The total amount of training hours by professional category	404-1 Average training hours per year per employee	64
2.2.6	**Universal accessibility for people with disabilities**		
2.2.6.1	Universal accessibility for people with disabilities	-	75
2.2.7	**Equality**		
2.2.7.1	Measures taken to promote equal treatment and opportunities between women and men	401-3 Parental leave	62 – 63, 78
2.2.7.2	Equality plans (Section III of Organic Law 3/2007, of March 22, for effective equality of women and men), measures adopted to promote employment, protocols against sexual and gender-based harassment, integration, and the universal accessibility of people with disabilities	-	62 – 63, 78
2.2.7.3	Policy against any type of discrimination and, where appropriate, diversity management	406-1 Cases of discrimination and corrective actions taken	78 – 79
3.	**Respect for human rights**		
3.1	**General information**		
3.1.a	A description of the **policies** applied by the group with respect to these issues, which shall include due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, and to verification and control, including which specific measures have been adopted.	103-2 The management approach and its components	46 – 47, 78 – 79
3.1.b	The **results of these policies**, including key **indicators** of relevant non-financial results that allow the monitoring and evaluation of progress and that favor the comparability between societies and sectors, in accordance with the national, European or international reference frameworks used for each subject.	103-2 The management approach and its components 103-3 Evaluation of the management approach	78 – 79
3.1.c	The **main risks** related to these issues involving the activities of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in these areas, and how the group manages such risks, explaining the **procedures used to detect and evaluate them** in accordance with national, European or international reference frameworks for each matter. Information on the **impacts** that have been detected must be included and broken down, in particular on the main **short-, medium-, and long-term risks.**	102-15 Main impacts, risks and opportunities	51 – 53
3.2	**Detailed information**		
3.2.1	Application of due diligence procedures in the field of human rights; prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage, and repair possible abuses committed	102-16 Values, principles, standards, and codes of conduct 102-17 Advisory mechanisms and ethical concerns 410-1 Security personnel trained in human rights policies or procedures 412-1 Operations subject to revisions or impact assessments on human rights 412-2 Training of employees in human rights policies or procedures 412-3 Significant investment agreements and contracts with clauses	62, 78 – 79
3.2.2	Claims regarding cases of human rights violations	Non-compliance with laws and regulations pertaining to social and economic issues	54

3.2.3	Promotion and compliance with the provisions contained in the related fundamental Conventions of the International Labor Organization with respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labor; and the effective abolition of child labor.	406-1 Cases of discrimination and corrective actions taken 407-1 Operations and suppliers whose right to freedom of association and collective bargaining may be at risk 408-1 Operations and suppliers with significant risk of child labor cases 409-1 Operations and suppliers with significant risk of forced or compulsory labor cases	53, 78 – 79 68 n.a. n.a.
4.	**Anti-bribery and anti-corruption measures**		
4.1	**General information**		
4.1.a	A **description of the policies** applied by the group with respect to these issues, which shall include due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, and to verification and control, including which specific measures have been adopted.	103-2 The management approach and its components	46 – 47, 54
4.1.b	The **results of these policies**, including key **indicators** of relevant non-financial results that allow the monitoring and evaluation of progress and that favor the comparability between societies and sectors, in accordance with the national, European or international reference frameworks used for each subject.	103-2 The management approach and its components 103-3 Evaluation of the management approach	78 – 79
4.1.c	The **main risks** related to these issues involving the activities of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in these areas, and how the group manages such risks, explaining the **procedures used to detect and evaluate them** in accordance with national, European or international reference frameworks for each matter. Information on the impacts that have been detected must be included and broken down, in particular on the main **short-, medium-, and long-term risks.**	102-15 Main impacts, risks, and opportunities	51 – 53
4.2	**Detailed information**		
4.2.1	Measures taken to prevent corruption and bribery	102-16 Values, principles, standards and codes of conduct 102-17 Advisory mechanisms and ethical concerns 205-1 Operations evaluated for risks related to corruption 205-2 Communication and training on anti-corruption policies and procedures 205-3 Confirmed cases of corruption and measures taken	62 – 63, 78 – 79
4.2.2	Anti-money laundering measurers	102-16 Values, principles, standards and codes of conduct 102-17 Advisory mechanisms and ethical concerns	46, 54 – 55
4.2.3	Contributions to foundations and non-profit entities	201-1 Direct economic value generated and distributed	46, 55, 75 – 77
5.	**Information on the company**		
5.1	**General information**		
5.1.a	A **description of the policies** applied by the group with respect to these issues, which shall include due diligence procedures applied to the identification, evaluation, prevention and mitigation of significant risks and impacts, and to verification and control, including which specific measures have been adopted.	103-2 The management approach and its components	46 – 47, 53 – 55, 62 – 63, 71 – 73, 75 – 77
5.1.b	The **results of these policies**, including key **indicators** of relevant non-financial results that allow the monitoring and evaluation of progress and that favor the comparability between societies and sectors, in accordance with the national, European or international reference frameworks used for each subject.	103-2 The management approach and its components 103-3 Evaluation of the management approach	55, 63 – 64, 78 – 79

5.1.c	The **main risks** related to these issues involving the activities of the group, including, where relevant and proportionate, their business relationships, products or services that may have negative effects in these areas, and how the group manages such risks, explaining the **procedures used to detect and evaluate them** in accordance with national, European or international reference frameworks for each matter. Information on the **impacts** that have been detected must be included and broken down, in particular on the main **short-, medium-, and long-term risks.**	102-15 Main impacts, risks, and opportunities	51 – 54
5.2	**Detailed information**		
5.2.1	**Commitment by the company to sustainable development**		
5.2.1.1	Impact of the company's activities on employment and local development	204-1 Proportion of spending on local suppliers 413-1 Operations with local community participation, impact evaluations and development programs	49, 71 43 – 44, 46 – 47, 54, 71 – 72
5.2.1.2	The impact of company activity on local populations and on the territory	204-1 Proportion of spending on local suppliers 411-1 Cases of violations of the rights of indigenous peoples 413-1 Operations with local community participation, impact evaluations, and development programs 413-2 Operations with significant negative impacts in local communities, either real or potential	49, 71 54 – 55, 68, 78 – 97 43 – 44, 46 – 47, 54, 71 – 77 51 – 54, 55 – 61
5.2.1.3	The relationships maintained with representatives of the local communities and the modalities of dialog with these	102-43 Approach to interest group participation	43, 71, 74 – 75
5.2.1.4	Actions of association or sponsorship	-	75
5.2.2	**Subcontractors and suppliers**		
5.2.2.1	The inclusion of social, gender equality and environmental issues in the purchasing policy	308-1 New suppliers that have passed screening and selection filters according to environmental criteria 414-1 New suppliers that have passed screening and selection filters according to social criteria	60 – 61 71 – 72
5.2.2.2	Consideration of social and environmental responsibility in relations with suppliers and subcontractors	308-1 New suppliers that have passed screening and selection filters according to environmental criteria 414-1 New suppliers that have passed screening and selection filters according to social criteria	60 – 61 71 – 72
5.2.2.3	Supervision systems and audits, and their results	308-2 Negative environmental impacts in the supply chain and actions taken 414-2 Negative social impacts on the supply chain and actions taken	59 – 61 51 – 53
5.2.3	**Consumers**		
5.2.3.1	Customer health and safety measures	416-1 Evaluation of health and safety impacts of the categories of products or services	71 – 72, 74
5.2.3.2	Claims systems, complaints received and their resolution	102-43 Approach to interest group participation 102-44 Key issues and concerns mentioned 418-1 Fundamental claims relating to violations of the customer's privacy and loss of customer data	73 – 75
5.2.4	**Tax information**		
5.2.4.1	Benefits obtained by country	201-1 Direct economic value generated and distributed	44
5.2.4.2	Taxes on paid benefits	201-1 Direct economic value generated and distributed	45
5.2.4.3	Public subsidies received	201-4 Financial assistance received from the government	46

AmRest Holdings SE

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

for the year ended 31 December 2018

Data identify issuer:

Ending date of reference financial year	31/12/2018
Tax Identification Code [C.I.F]	A88063979
Registered name	AmRest Holdings SE
Registered office	Calle Enrique Grandos 6, Pozuelode Alarcón, 28224 Madrid, Spain

A. CAPITAL STRUCTURE

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
15/10/2018	21,955,418.30	219,554,183	219,554,183

Remarks
The general shareholders' meeting held on 6 June 2018 delegated the authority to increase the company's share capital – excluding pre-emptive rights – to the Board of Directors. In view of this decision, the Board agreed to a rights issue executed via the private placing of 7,115,253 new shares of the same class and series as those already in circulation and each with a par value of EUR 0.10. Pre-emptive rights were excluded from this process.

Please state whether there are different classes of shares with different associated rights:

Yes _ **No X**

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Artal International SCA	4,78	0,00	0,00	0,00	4,78
AVIVA Otwarty Fundusz Emerytalny AVIVA BZWBK SA	3,19	0,00	0,00	0,00	3,19
Malgorzata Ewa Mcgovern	0,00	10,67	0,00	0,00	10,67
Nationale-Nederlanden Otwarty Fundusz Emerytalny	4,88	0,00	0,00	0,00	4,88

Breakdown of the indirect holding

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
Malgorzata Ewa McGovern	GOSHA HOLDINGS SARL	10.67	0.00	10.67

State the most significant shareholder structure changes during the year:

Name of shareholder	Date of transaction	Description of transaction
Nationale-Nederlanden Open Pension Fund	16/11/2018	Stake has dropped below 5%

A.3 In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Carlos Fernández González	0,00	56,38	0,00	0,000	56,38	0,00	0,00
Henry Joseph McGovern	0,08	0,00	1,58	0,00	1,66	0,00	0,00

Total percentage of voting rights held by the Board of Directors	**58.03**

Remarks
Mr. Henry Joseph McGovern percentage through financial instruments refers to rights under share-based scheme plans of AmRest. Therefore, Mr. McGovern does not hold yet the voting rights attached to the underlying shares. Mr. Henry Joseph McGovern has a marital relationship with Mrs. Malgorzata Ewa McGovern, who owns 100% of Metropolitan Properties International S.R.O., which indirectly owns a 10.67% direct stake in the issuer through Gosha Holdings S.à.r.l.

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
FERNÁNDEZ GONZÁLEZ, CARLOS	FCAPITAL DUTCH, B.V.	30,64	0,00	30,64	0,00
FERNÁNDEZ GONZÁLEZ, CARLOS	FCAPITAL LUX, S.A.R.L.	25,74	0,00	25,74	0,00

Remarks
Carlos Fernández González owns the majority of the share capital and voting rights in Grupo Far-Luca, S.A. de C.V., which in turn holds a 99% stake in Grupo Finaccess, S.A.P.I. de C.V. The latter owns 99.99% of the capital and voting rights of Finaccess Capital, S.A. de C.V., which controls direct shareholders FCapital Dutch, B.V. (100%) and FCapital Lux S.à.r.l. (100%). Thus, the direct shareholders are controlled by an entity linked to Mr. Carlos Fernández.

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related Party	Nature of relationship	Brief description

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description
Henry Joseph McGovern	Metropolitan Properties Investments Sp. z o.o. (earlier Metropolitan Properties International Sp. z o.o) is an entity closely associated to Mr. Henry McGovern	Metropolitan Properties Investments Sp. z o.o.(earlier Metropolitan Properties International Sp. z o.o) is involved in activities related to real estate. The Group leases three restaurants and commercial property on conditions similar to those lease agreements concluded with third parties.

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

A.7 Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Luis Miguel Álvarez Pérez	FCapital Dutch, B.V.	Grupo Finaccess S.A.P.I. de C.V.	Luis Miguel Álvarez Pérez is a proprietary director of controlling shareholder Grupo Finaccess.
José Parés Gutiérrez	FCapital Dutch, B.V.	Grupo Finaccess S.A.P.I. de C.V.	José Parés is a proprietary director of controlling shareholder Grupo Finaccess.
Carlos Fernández González	FCapital Dutch, B.V.	Grupo Finaccess S.A.P.I. de C.V.	Carlos Fernández González is a proprietary director of controlling shareholder Grupo Finaccess.
Steven Kent Winegar Clark	Gosha Holdings, S.à.r.l	Gosha Holdings, S.à.r.l	Steven Kent Winegar is a proprietary director of shareholder Gosha Holdings, S.à.r.l.
Henry Joseph McGovern	Gosha Holdings, S.à.r.l	Gosha Holdings, S.à.r.l	Henry Joseph McGovern is an executive director linked to significant shareholder Gosha Holdings, S.à.r.l. and also has a marital relationship with the indirect controlling shareholder of Gosha Holdings, S.à.r.l, Ms. Malgorzata Ewa McGovern.

A.8 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes__ No _X_

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes _ No X_

Parties to the concerted action	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.9 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes X No _

Name
CARLOS FERNÁNDEZ GONZÁLEZ

Remarks
FCapital Dutch, B.V. and FCapital Lux, S.à.r.l. – direct shareholders of the company – hold jointly 56.377% of the voting rights in the company. Finaccess Capital, S.A. de C.V. controls these direct shareholders, and is in turn owned by Grupo Finaccess, S.A.P.I. de C.V., with the latter owning 99.99% of its share capital and voting rights. Carlos Fernández González owns the majority of the share capital and voting rights in Grupo Far-Luca, S.A. de C.V., which in turn holds a 99% stake in Grupo Finaccess, S.A.P.I. de C.V.

A.10 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
1,586,738	-	0.7227%

(*) through:

Name of direct shareholder	Number of direct shares
Total:	

Explain any significant changes during the year:

Explain significant changes

A.11 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The general shareholders' meeting held on 6 June 2018 authorised the company's Board of Directors to buy back treasury shares under the following terms: (i) the acquisition may be executed in the form of a sale and purchase transaction, shares swap, shares distribution or shares in lieu of payment and, in general, via any other lawful acquisition method involving valuable consideration for shares in circulation. Such transaction may be executed once or on several occasions, provided that the acquired shares – added to those already in the company's possession – do not exceed the maximum permitted by law; (ii) the price or exchange value will range between a minimum amounting to their par value and a maximum equivalent to the closing price of the shares on the Continuous Market upon their acquisition; and (iii) the aforementioned authorisation will remain in place for five years as of the following day on which this resolution was adopted. Moreover, the resolution stipulates that the shares acquired under this authorised transaction(s) may be disposed of, used in the successful bidding process of potential corporate deals or applied to the remuneration mechanisms set forth under Article 146.1 a) of the Corporate Enterprises Act.

In addition, a resolution was also passed at the general shareholders' meeting to delegate the authority to the Board of Directors to increase the company's share capital – including the ability to exclude pre-emptive rights (restricted in this instance to 20% of the share capital) – in accordance with the terms of the Corporate Enterprises Act.

A.12 Estimated working capital:

	%
Estimated working capital	19.29

Remarks
The company's working capital amounts to just below 20% once the stakes of shareholders holding at least 3% of the shares, the shares owned by the company's directors closely related to significant shareholders and the treasury stock have been discounted.

A.13 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes _ No X

Description of

A.14 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes _ No X

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply

A.15 State if the company has issued shares that are not traded on a regulated EU market.

Yes _ No X

If so, please list each type of share and the rights and obligations conferred on each.

List each type of

B. GENERAL SHAREHOLDER'S MEETING

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes X No __

	% quorum different from that contained in Article 193 LSC for general matters	quorum different from that contained in Article 194 LSC for special resolutions
Quorum required at 1st call	At least 40% of share capital subscribed with voting rights.	At least 60% of share capital subscribed with voting rights.
Quorum required at 2nd call	N/A	At least 40% of share capital subscribed with voting rights.

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes _ No X

Describe how it is different from that contained in the LSC.

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a qualified majority
% established by the company for adoption of resolutions		

Describe the differences

B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

Pursuant to Articles 19 and 20 of AmRest's Articles of Association and Articles 16 and 26 of the Board of Directors Regulation, where an ordinary or extraordinary general shareholders' meeting is arranged to discuss amendments to the Articles of Association, shareholders representing at least 60% of the share capital subscribed with voting rights must be in attendance at the first calling (primera convocatoria) for such meeting(s) to be considered valid.
At second call (seguna convocatoria), at least 40% of the subscribed capital with voting rights is required.
With regard to the adoption of resolutions, the Articles of Association and Board Regulation refer to the terms set forth by law, i.e. resolutions adopted by way of absolute majority where the present or represented capital equals 50% (60% at the first calling). At second call, where shareholders representing less than 50% of the capital subscribed with voting rights are present, resolutions concerning amendments to the Articles of Association may only be validly adopted with a favourable vote of two-thirds of the present or represented capital at the general shareholders' meeting.

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

	Attendance data				
			% distance voting		
Date of General Meeting	% physically present	% present by proxy	Electronic voting	Other	Total
06/06/2018	0.00%	76,50%	0.00%	8.19%	84.69%
Of which, free float:	0.00%	1.20%	0.00%	3.14%	4.34%

Remarks
Given that the company relocated its registered office to Spain in March 2018 and its shares were listed on the Spanish Stock Exchanges on November 21, 2018, only information relating to the one general shareholders' meeting held since such transfer of domicile has been included.

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

Yes _ No X

Points on agenda not approved	% votes against (*)

(*) If the non-approval of the point is for a reason other than the votes against, this will be explained in the text part and "N/A" will be placed in the "% votes against" column.

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes _ No X

Number of shares required to attend General Meetings	
Number of shares required for distance voting	

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes _ No X

Explain the decisions that must be subject to the General Shareholders' Meeting, other than those established by law

B.8 State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

The company's website address is www.amrest.eu. Information on corporate governance can be found by clicking on the "Investors" tab and subsequently the "General Meeting of Shareholders" and "Corporate governance" subsections of the menu, among others.

C. COMPANY ADMINISTRATIVE STRUCTURE

C.1 BOARD OF DIRECTORS

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	7

C.1.2 Please complete the following table on directors:

Name of director	Natural person represen -tative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board	Date of birth
José Parés Gutiérrez		Proprietary	Chairman	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	August 12, 1970
Luis Miguel Álvarez Pérez		Proprietary	Vice chairman	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	January 31, 1970
Carlos Fernández González		Proprietary	Member	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	September 29, 1966
Henry Joseph McGovern		Executive	Member	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	August 26, 1966
Steven Kent Winegar Clark		Proprietary	Member	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	January 27, 1948
Pablo Castilla Reparaz		Independent	Member-Lead Independent Director	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	December 6, 1960
Mustafa Ogretici		Independent	Member	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	June 3, 1978
					Total number of Directors		7

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/ she was a member	Indicate whether the director left before the end of the term

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organizational chart of the company	Profile
Henry Joseph McGovern	Managing Director	Managing Director of the company. He was the co-founder of AmRest and served as the CEO from 1995 to 2008. Mr. McGovern was Chairman of the Supervisory Board of ARS between 2008 and 2015 and is a former CEO of Metropolitan Properties International, a real estate company specialising in commercial property.
	Total number of Executive Directors	1
	Percentage of Board	14.28

PROPRIETARY DIRECTORS

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
José Parés Gutiérrez	Grupo Finaccess S.A.P.I. de C.V.	CEO of Finaccess Capital since 2013, in charge of portfolio management. He spent 19 years of his career working in various roles for Grupo Modelo and is currently the Chairman of the Board of Crown Imports (Chicago, Illinois), Vice Chairman of the Board of MMI (Toronto, Canada), Chairman of the Board of DIFA (Mexico) and a former member of the Mexican Brewers Association (*Cámara de Cerveceros de México*).
Luis Miguel Álvarez Pérez	Grupo Finaccess S.A.P.I. de C.V.	Board Member, Audit Committee Member and Investment Committee Member of Finaccess, S.A.P.I. Founder, Chairman of the Board and CEO of Compitalia, S.A. de C.V. Held several roles at Grupo Modelo. Currently a member of the board of numerous companies and NGOs.
Carlos Fernández González	Grupo Finaccess S.A.P.I. de C.V.	Chairman of the Board of Directors of Grupo Finaccess S.A.P.I. de C.V.. He is also currently an independent director of Banco Santander, S.A. and a non-executive director of Inmobiliaria Colonial Socimi, S.A. Previously held several roles at Grupo Modelo (the last one as Chairman of the Board and CEO) and has also served on the boards of national and international companies.
Steven Kent Winegar Clark	Gosha Holdings, S.á.r.l.	Has held numerous roles in companies such as MSD Pharmaceuticals and Bristol-Myers Spain after entering the restaurant sector as CEO of Foster's Hollywood and later co-founding Restauravia. In 2011, AmRest acquired a controlling stake in Restauravia and two years later became its full owner. Mr. Winegar is also a past President of the American Chamber of Commerce in Spain, a former Board Member of Telepizza SAU and Vice-Chairman of Sabertia Capital Partners
	Total number of proprietary directors	4
	Percentage of Board	57,14

INDEPENDENT DIRECTORS

Name of director	Profile
Pablo Castilla Reparaz	Has held the roles of Director of Santander Direkt Bank (Germany), Director of Banco Mercantil (Peru), Non-member Secretary of BT Telecomunicaciones, S.A., Member Secretary of Santander Investment, S.A., Secretary of the Grupo Santander Investment Committee and Director Secretary at OpenBank. Mr. Castilla held the position of International and Corporate Legal Manager of Banco Santander for more than 20 years. At present, he also holds the role of Member Secretary of Grupo Vitaldent.
Mustafa Ogretici	Vast experience in managing restaurants and franchising. Since 1997, he has owned and managed a number of restaurants in the UK and since 2005 has been investing in real estate.
Number of independent directors	2
Percentage of the Board	28.57

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of the director	Description of the relationship	Statement of the Board

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
		Total number of other external directors	
		Percentage of the Board	

State any changes in status that has occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status

C1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	N/A	N/A	N/A	0.00%	N/A	N/A	N/A
Proprietary	0	N/A	N/A	N/A	0.00%	N/A	N/A	N/A
Independent	0	N/A	N/A	N/A	0.00%	N/A	N/A	N/A
Other external	0	N/A	N/A	N/A	0.00%	N/A	N/A	N/A
Total	0	N/A	N/A	N/A	0.00%	N/A	N/A	N/A

Remarks
Information provided as from the Company's relocation to Spain in March 2018. Before the Company did not have a Board of Directors but a dual board scheme with a Supervisory Board and a Management Board.

C1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes X No _ Partial policies __

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why

Description of policies, objectives, measures and how they have been implemented, including results achieved
Diversity management at AmRest is based on understanding the differences between those working for the company and developing policies and programmes to create a respectful environment, making use of such differences for the good of the organisation. AmRest recognises diversity in three different ways: (i) based on race, nationality, ethic group, gender, age, sexual orientation and disability; (ii) based on each person's level of study, place of residence, family background, etc.; (iii) organisational criteria in view of work experience, category, sector, etc. Among the implemented measures are: (i) the creation of diverse teams with regards to gender and age; (ii) fostering respectful behaviour when it comes to diversity, which in turn encourages people to act in a kind manner; (iii) the creation of guidelines on cooperation with disabled colleagues; (iv) encouraging a healthy work-life balance; (v) actively fighting against discrimination and harassment at the workplace through the Speak Openly platform, HR audits, employee meetings, etc.; (vi) the creation of a corporate culture underpinned by fundamental values; and (vii) ensuring equality with regards to accessing benefits and employee meetings. Moreover, AmRest has an Ethics Code and Ethics Committees, an e-learning platform with access to numerous workplace anti-discrimination, sexual harassment and

mobbing training courses and recruitment process for those with a disability. The specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee in a bid to achieve a more balanced and diverse Board are reflected by the Director Selection Policy detailed in the following sections.

C1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means
AmRest Board of Directors is currently formed by one executive director, four proprietary directors and two independent directors. Board members are selected and appointed based on the company's needs and in compliance with the requirements set out in the AmRest Director Selection Policy. The Board of Directors and Appointments Committee seek candidates who bring a wealth of diverse knowledge, abilities, experience and profile within the company. Searches are essentially based on the notion that the chosen candidates provide experience, know-how and professional merit, as well as demonstrating conduct and a background aligned to AmRest's values. Any male or female who meets these requirements can be included in the selection process.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of means
No board member selection processes were carried out during 2018.

C1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

AmRest Director Selection Policy specifically states that all possible efforts shall be made so that within five years from approval of the policy (December 2018), female directors would represent at least 30% of the Board members. The Company shall encourage females to apply for director roles during selection and Board member re-appointment processes. The reason for such five year period since AmRest listing in Spain is to mirror the adaptation period given to the Spanish listed companies upon approval of the current Corporate Governance Code (2015-2020).

C1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes _ No X

Name of shareholder	Explanation

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director	Brief description
EXECUTIVE COMMITTEE	The Executive Committee has been delegated all of the Board's faculties, aside from those which may not be delegated according to the law, the Articles of Association and the Board of Directors Regulation.
HENRY JOSEPH MCGOVERN	Attorney by virtue of a deed signed on 23 March 2018 before the Notary of Madrid, Mr. Ignacio Martínez-Gil Vich, under number 1094 of his records. Henry Joseph McGovern was appointed Managing Director of AmRest on 12 March 2018. His faculties include general powers to manage the company and its subsidiaries up to one million euros.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?	Name of director
Henry J. McGovern	SCM Sp. z o.o.	Member of the Supervisory Board	No	Henry J. McGovern

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
Carlos Fernández González	Banco Santander, S.A.	Board Member
Carlos Fernández González	Inmobiliaria Colonial Socimi, S.A.	Board Member

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes X No __

Explanation of the rules and identification of the document where this is regulated
Pursuant to Article 22 of the AmRest Board of Directors Regulation, directors shall not form part of more than four other listed companies' boards of directors. In this regard, all of the companies' boards of directors belonging to the same group will be considered to have one single mandate as well as those holding board memberships as proprietary directors proposed by a company of the same group even if the stock held in the company, or the level of control, may not qualify that company to be considered as part of the group. Exceptionally, and provided there is just cause, the Board may exempt directors from this prohibition. In addition, directors shall inform the Appointments and Remuneration Committee of any material changes to their professional situation and any that may affect the nature or condition by virtue of which they have been appointed as a director.

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	1,873
Amount of vested pension interests for current members (thousand euros)	0
Amount of vested pension interests for former members (thousand euros)	0

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
Mark Chandler	Chief Financial Officer
Olgierd Danielewicz	Chief Operations Officer
María Elena Pato-Castel Tadeo	Brand President
Oksana Staniszewska	Chief People Officer
Jerzy Tymofiejew	Chief Development Officer
Adam Sawicki	Chief Digital Officer
Peter Kaineder	Chief Strategy Officer
Ramanurup Sen	Food Services President
Total senior management remuneration (thousand euros)	2,151

C.1.15 State whether the Board rules were amended during the year:

Yes X No __

Description of the amendment
The Regulation of the Board of Directors was approved on 12 March 2018. Later on in September it was amended to set the position of Vice Chairman of the Board.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

Pursuant to Article 14 of the AmRest Articles of Association and Article 7 of the General Shareholders' Meeting Regulation, said shareholders' meeting shall be responsible for appointing and removing directors, as well as ratifying directors appointed by co-optation. Nevertheless, in accordance with Article 6 of the Board of Directors Regulation, the Board is responsible for appointing directors in the event of vacancies, until the general shareholders' meeting next meets.

The Appointments and Remuneration Committee assesses the capabilities, knowledge and experience required for a place on the Board. In this regard, the Committee is tasked with defining the duties and suitability of the candidates needed to fill each vacancy, as well as gauging the specific time and dedication required for them to properly perform such duties.

The Committee issues proposals to the Board concerning the appointment of independent members and those to be appointed by co-optation. Said proposals, as well as those relating to the re-appointment and removal of directors, are submitted for approval to the general shareholders' meetings. Moreover, the Committee must inform the Board of the appointment, re-election and removal of directors from their roles on the Board.

The appointment, ratification and re-appointment proposals issued to the general shareholders' meeting by the Board must be preceded by the corresponding report prepared by the Appointments and Remuneration Committee for the appointment of the remaining non-independent members. Each director's performance and dedication throughout their tenure will be taken into consideration upon their re-appointment or ratification.

Board members will each exercise their office for a term of four years. They may be re-appointed on one or several occasions for periods of the same maximum duration. Once the term has expired, the tenure will be terminated upon the next general shareholders' meeting, or when the legal term for holding such meeting to approve the accounts for the preceding fiscal year has elapsed.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes
Before the Company's transfer of domicile from Poland to Spain in March 2018, AmRest had a different management scheme, formed by a Supervisory Board and a Management Board. 2018 is the first year of performance of AmRest Board of Directors and its first annual evaluation has been performed in February 2019. Such annual assessment reflected the efficiency and correct functioning of the AmRest Board of Directors without raising the need for significant changes with regard to its internal structure or the procedures applicable to its activity.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas
The Board evaluated its performance for the year 2018 at a meeting held in February 2019. The Board assessment comprised an analysis of the following elements: (i) the quality and efficiency of its performance; (ii) the execution of the chairman and CEO's duties; (iii) the performance and composition of the committees; and (iv) the diversity in the composition and authority of the Board, as well as the performance and contribution of each member. No external advisors were engaged. The conclusions were contained in a report approved by the Board that, among other aspects, analysed the structure and composition of the Board, its internal efficiency and performance, and its relationship with the senior management team; the performance of the Board and committees' duties; and the latest improvements and recommendations for the next year.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

C.1.19 State the situations in which directors are required to resign.

Pursuant to Article 25 of the Articles of Association and Article 11 of the Board of Directors Regulation, the directors shall make their position available to the Board and execute, where deemed appropriate, the relevant resignation in the following cases: (a) when they cease to hold the executive positions to which their appointment as director was associated; (b) when they are involved in any of the situations deemed to be incompatible or prohibited according to law; (c) when they have committed a serious breach of their obligations as director; or (d) when remaining on the Board may endanger the company's interests, negatively affect the Board's credibility or reputation, or when the reasons for which they were appointed disappear (for example, when proprietary directors transfer or reduce their shareholding in the company).

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

Yes _ No X_

If so, please describe any differences.

Description of differences

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes _ No X _

Description of requirements

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

	Age limit
Chairman	
CEO	
Directors	

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes _ No X_

Additional requirements and/or maximum number of term limits

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Pursuant to Article 13 of the Board of Directors Regulation, directors should attend the sessions in person. Where this is not possible, they may, using any written means including email and for that session alone, delegate their representation to another director, with the appropriate instructions. This representation will be notified to the chairman or secretary of the Board. A single director may hold several representations. Non-executive directors may only delegate their representation to another non-executive director.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	16
Number of Board meetings without the chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Executive Committee	4
Number of meetings held by the Audit Committee	8
Number of Meetings held by the Appointments and Remuneration Committee	5
Number of meetings held by the Appointments Committee	N/A
Number of meetings held by the Remuneration Committee	N/A

Remarks
Only the meetings held by these committees since the relocation of the company's registered office to Spain in March 2018 have been taken into account.

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance.

Number of meetings when at least 80% of directors attended	16
% of attendance over total votes during the year	100%
Number of meetings in situ or representations made with specific instructions of all directors	15
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	93.75%

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes _ **No** X_

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

Pursuant to Article 19 of the Board of Directors Regulation and Article 5 of the Audit Committee Regulation, the Audit Committee is responsible for the following, among other duties: (i) to explain the results of the audit and how it contributed to the integrity of the financial information and the Audit Committee's role in this process; and (ii) to oversee the effectiveness of the company's internal control system, the internal audit and the risk management system, and discuss with the accounts auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence. For such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up.

Moreover, Article 9 of the Audit Committee Regulation stipulates that the Committee shall review the content of the audit reports and, as the case may be, the limited review of the interim accounts, as well as other reports to be prepared by the auditors prior to the issue of the former. This will help to avoid the issue of reports with reservations, allowing the Board to present the accounts to the general shareholders' meeting in an audit report without reservations or, in exceptional circumstances when such reservations do exist, for the Committee chair and the auditors to be able to explain the content and scope of the reservations to shareholders in a clear manner.

C.1.29 Is the secretary of the Board also a director?

Yes _ **No** X_

If the secretary is not a director, please complete the following table:

Name of the secretary	Representative
Eduardo Rodríguez-Rovira	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

Pursuant to the Board of Directors Regulation, the Audit Committee is responsible for proposing motions regarding the recruitment, appointment, re-election and replacement of the accounts auditor to the Board of Directors, taking charge of the recruitment process, as well as the terms and conditions of the agreement, the scope of their professional mandate and the renewal or termination of their mandate. In accordance with Article 19 of the Board of Directors Regulation, the Audit Committee shall also liaise with the auditor to receive information on matters that could represent a threat to its independence; any matter related to the implementation of the audit process; and, where appropriate, the authorisation of any services, other than those forbidden under the terms of the applicable audit regulations, and other communications envisaged by these regulations.

In any event, the Audit Committee must receive the following from the accounts auditor on an annual basis: written confirmation of its independence regarding the entity or those entities that it has direct or indirect links to; information on any additional services rendered of any kind and the relevant fees received by the auditor or persons, natural or legal, related to the auditor, from the abovementioned entities, pursuant to the provisions of the prevailing audit regulations.

Moreover, the Audit Committee shall issue – annually prior to the issue of the audit report – a report expressing an opinion on whether the independence of the accounts auditor has been jeopardised. Such report must include a reasoned assessment of the provision of each and every additional service referred to in the foregoing paragraph (other than the legal audit), individually and as a whole, and in relation to the independence system or the audit regulations.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes X No _

Outgoing auditor	Incoming auditor
BDO Sp. z.o.o.	KPMG AUDITORES, S.L.

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes _ **No X_**

Explanation of

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes X__ No __

	Company	Group Companies	Total
Amount invoiced for non-audit services thousand euros)	24,9	9,2	34,1
Amount invoiced for non-audit services/Amount for audit work (in %)	3,9%	1,4%	5,3%

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes X_No _

Explanation of reasons
Emphasis of matter to the consolidated financial statement on risk associated with the ongoing tax proceedings and audits in a subsidiary of the parent Company, AmRest Sp. Z o.o. with the uncertainty as to the future outcome of these proceedings.

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	1	1

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	100%	100%

Remarks
This calculation has been made using data from the one fiscal year in which the company's registered office has been relocated to Spain. KPMG PL audited AmRest Holdings SE when it was based in the Netherlands and in Poland. In that case, the number of years (in %) would have been 7% (individual) and 33% (consolidated).

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes X_ No __

Explanation of procedure
Article 25 of the Board of Directors Regulation sets forth the directors' right to counsel and information, insofar as they shall have access to all of the company's services and may, with the broadest powers, obtain any information and advice they may need to perform their duties. The right to information is extended to the subsidiaries, in Spain or overseas, and shall be channelled through the chairman or secretary of the Board of Directors. Said chairman or secretary will fulfil all requests from directors by supplying the information directly, putting the directors in touch with the appropriate persons or taking such measures as may be necessary for the requested examination. Directors shall also be entitled to propose to the Board of Directors, by way of majority, the engagement of any legal, accounting, technical, financial, commercial or other advisors as they may consider necessary for the company's interests in a bid to assist them in the performance of their functions when facing specific, important or complex problems relating to their duties. The secretary of the Board must notify the company's CEO of the proposal. The Board of Directors may withhold its approval if it considers the engagement unnecessary for the performance of the commissioned duties, either in view of its cost (disproportionate to the importance of the problem and the company's assets and revenues) or if it considers that the technical assistance requested could be adequately given by experts and officers within the company.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes X_ No __

Explain the rules
As stated in the Articles of Association and Board of Directors Regulation, among the cases in which the directors shall make their position available to the Board and execute, where deemed appropriate, the relevant resignation, includes when remaining on the Board may endanger the company's interests, negatively affect the Board's credibility or reputation, or when the reasons for which they were appointed disappear (for example, when proprietary directors transfer or reduce their shareholding in the company).

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes _ **No X**

Name of director	Criminal charge	Remarks

Decision/Action taken	Explanation

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

Yes _ No_

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The Change of Control Clause is included in the agreements signed in 2017 concerning the issue of Schuldscheindarlehen („SSD") debt instrument for the total value of EUR 101 million.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	1
Type of beneficiary	**Description of agreement**
Executive Director	The directors' remuneration policy for 2018-2021 sets forth that the managing director will be entitled to receive nine months' salary as severance upon termination of their relationship with the group.
Executives (other than Directors) and employees	Few selected officers and employees of the Company have in their contracts specific severance clauses, which provides for higher severance payments than envisaged in applicable general labour law, in case of termination. The amount of the severance is determined on a case by case basis taking into account seniority, function and possible impact on the Company's business in case of withdrawal from office of such officer. In any case the severance payments do not exceed a maximum of two times annual salary

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	X	

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?		X

C.2 COMMITTEES OF THE BOARD OF DIRECTORS

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

EXECUTIVE COMMITTEE

Name	Post	Category
José Parés Gutiérrez	Chairman	Propietary
Luis Miguel Álvarez Pérez	Member	Propietary
Pablo Castilla Reparaz	Member	Independent

% of executive directors	0.00%
% of proprietary directors	66.66%
% of independent directors	33.33%
% of external directors	0.00%

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The rules regarding the Executive Committee are found under Article 18 of the Board of Directors Regulation. The Executive Committee shall consist of a minimum of three and a maximum of five directors, in similar proportions to their weight on the Board of Directors. At least two-thirds of the Board members currently in office must vote in favour to appoint members of the Executive Committee. The chairman and secretary of the Board of Directors shall be the chairman and secretary, respectively, of the Executive Committee, and may also be assisted by the deputy secretary.

The members will step down from the Executive Committee when they relinquish the role of director or whenever agreed by the Board. The Board of Directors shall promptly fill any vacancies.

The Board of Directors will permanently delegate all of its powers to the Executive Committee, aside from those which may not be delegated according to law, the Articles of Association or the Board of Directors Regulation.

The Executive Committee shall meet as and when called by the chairman or requested by the majority of its members. The secretary shall record the resolutions adopted in the meeting minutes, a copy of which shall be made available to the Board members. The Executive Committee shall inform the Board of Directors about the important matters and decisions adopted at its sessions.

AUDIT COMMITTEE

Name	Post	Category
Pablo Castilla Reparaz	Chairman	Independent
José Parés Gutiérrez	Member	Propietary
Mustafa Ogretici	Member	Independent

% of proprietary directors	33.33%
% of independent directors	66.66%
% of external directors	0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The rules regarding the AmRest Audit Committee are found under Article 19 of the Board of Directors Regulation and the Committee's own Regulation. The Audit Committee will be made up of a minimum of three and a maximum of five directors, and shall be chaired by whoever among them is appointed by the Board of Directors, as long as they are an independent director. All of the Audit Committee members will be appointed by the Board of Directors and shall be non-executive directors, the majority of whom, at least, must be independent directors. At least one of them must be appointed based on their knowledge and experience in accounting, auditing or both. The Audit Committee members, as a group, must have the relevant know-how regarding the industry that the entity subject to the audit belongs to.

The chairman of the Audit Committee will exercise their office for four years and may not be re-appointed until at least one year after stepping down.

Basic responsibilities:

(i) To report, through its chairman, to the General Shareholders' Meeting on questions raised by the shareholders regarding matters within its remit, and explain the audit results and how it contributed to the integrity of the financial information and the Audit Committee's role in this process;

(ii) To oversee the effectiveness of the company's internal control system, the internal audit, and the risk management system and discuss with the accounts auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence. For such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up;

(iii) To oversee the process for preparing and disclosing mandatory financial information regarding the company and submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such financial information;

(iv) To propose motions regarding the recruitment, appointment, re-election and replacement of the accounts auditor to the Board of Directors, taking charge of the recruitment process, as well as the terms and conditions of the agreement, the scope of their professional mandate, the renewal or termination of their mandate and where appropriate, regularly gather information about the audit plan and its implementation, while preserving its independence in the performance of its duties;

(v) To liaise with the auditor to receive information on matters that could represent a threat to its independence; any matter related to the implementation of the audit process; and, where appropriate, the authorisation of any services, other than those forbidden under the terms of the applicable audit regulations, and other communications envisaged by these regulations;

(vi) To issue – annually prior to the issue of the audit report – a report expressing an opinion on whether the independence of the accounts auditor has been jeopardised. Such report must include a reasoned assessment of the provision of each and every additional service referred to in the foregoing paragraph (other than the legal audit), individually and as a whole, and in relation to the independence system or the audit regulations;

(vii) To advise the company's Board of Directors, in advance, of all of the topics covered by law, the Articles of Association and this Regulation, and namely, of: (a) The financial information that the company must disclose on a regular basis; (b) The creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories considered to be tax havens; and (c) Any transactions with related parties.

The Audit Committee's annual report for 2018 – available to shareholders on the AmRest website – details the key activities performed by the Committee during such period, summarised as follows:

(i) review of the company's individual and consolidated annual accounts for the 2017 fiscal year prior to them being put together by the Board of Directors;

(ii) with regard to external auditing, the Committee issued a proposal to the Board for the appointment of KPMG as auditor for an initial term of three years comprising the 2018, 2019 and 2020 fiscal periods, as well as the approval of the auditor's fees and terms and conditions, and the signing of the corresponding services agreement;

(iii) with regard to internal auditing, throughout 2018 the Audit Committee performed the duties relating to the internal auditing of the Company as assigned thereto under the Board of Directors Regulation and Audit Committee Regulation;

(iv) in 2018, the Audit Committee oversaw compliance with the Internal Securities Market Conduct Regulation, the Board of Directors Regulation and, in general, the Company's rules on corporate governance;

(v) monitoring of linked transactions executed by the company and, where necessary, reported its findings back to the Board of Directors;

(vi) the Committee agreed to carry out a further assessment of the overall risks to which the company is exposed as a means of updating the evaluation performed in 2016;

(vii) review of the notifications received from the Spanish Stock Market Regulator (CNMV); and

(viii) analysed and took note of the company's treasury stock balance and the transactions executed using its own shares on a quarterly basis.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	3
Date of appointment of the chairperson	12 March 2018

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Post	Category
Mustafa Ogretici	Chairman	Independent
Luis Miguel Álvarez Pérez	Member	Propietary
Pablo Castilla Reparaz	Member	Independent

% of proprietary directors	33.33%
% of independent directors	66.66%
% of external directors	0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The rules regarding the Appointments and Remuneration Committee (ARC) are found under Article 20 of the Board of Directors Regulation. The ARC shall be made up of no less than three and no more than five non-executive directors, at least two of which must be independent directors.

The Board of Directors shall endeavour to ensure that the members, and in particular the chairman, of the ARC have the appropriate knowledge, qualifications and expertise to perform the duties entrusted to them. The ARC shall appoint the chairman from among its members.

Basic responsibilities: (i) To assess the qualifications, knowledge and experience required for the Board of Directors. For such purposes, to define the functions and qualifications required from candidates who must fill each vacancy and evaluate the exact amount of time and dedication required for them to effectively perform their duties; (ii) Submit proposals on independent directors to be appointed by co-optation to the Board of Directors to be subject to decision at the General Shareholders' Meeting, as well as the proposals for the re-appointment or removal of said directors; (iii) To issue a report regarding proposals to appoint the remaining directors for their appointment by co-optation or to be submitted to the General Shareholders' Meeting, as well as the proposals for their re-appointment or removal; (iv) To inform the Board of Directors about the appointment, re-election and removal of internal positions on the company's Board of Directors; (v) To issue a report regarding the motions to appoint and remove senior executives (including, for these purposes, the brand and area managers) and the basic terms of their contracts; (vi) To inform the Board about gender diversity matters and, particularly, to ensure that the selection procedures for directors and senior executives do not implicitly bias female candidates; (vii) To propose to the Board of Directors: (a) the remunerations policy for the directors and general managers or for those who have senior management functions and report directly to the Board of Directors, committees or the CEOs; (b) the individual remuneration for executive directors and other conditions of their contracts, ensuring that they are followed; and (c) the basic conditions of senior executive contracts; (viii) To analyse, pose and periodically review the remuneration policy applied to senior executives and the management team, including the remuneration packages with shares and their application, and ensure that it is proportionate to that paid to the other directors and members of the management team and to other personnel of the company; (ix) To ensure compliance with the remuneration policy established by the company; (x) To review and arrange for the succession of the chairman of the Board of Directors and the company's CEO and, where appropriate, to propose motions to the Board of Directors for such succession to take place in an orderly and well-planned manner; (xi) To inform the shareholders about the exercise of its functions, attending the General Shareholders' Meeting for this purpose; and (xii) To assist the Board in the preparation of the report on the remuneration policy and submit to the Board any other remuneration reports foreseen in this Regulation, verifying the information about the directors and senior executives' remuneration established in different corporate documents, including the annual report on directors' remuneration.

The ARC shall meet each time the chairman deems it necessary. The chairman will call a meeting whenever a report is issued or proposals need to be adopted and, in any case, whenever it is suitable for the successful performance of its functions.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors			
	Year t Number %	Year t-1 Number %	Year t-2 Number %	Year t-3 Number %
Executive committee	0.00%	N/A	N/A	N/A
Audit committee	0.00%	N/A	N/A	N/A
Appointments and remuneration committee	0.00%	N/A	N/A	N/A
Appointments committee	N/A	N/A	N/A	N/A
Remuneration committee	N/A	N/A	N/A	N/A
_____committee	N/A	N/A	N/A	N/A

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The rules regarding the committees are set out in the Articles of Association and the Board of Directors Regulation, both of which are available on the company's website at www.amrest.eu. Moreover, the Audit Committee has its own internal regulation. The company has prepared performance reports on each of the Audit and Remuneration committees, which shall also be available to shareholders on the website.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

Pursuant to Article 19 of the Board of Directors Regulation and Article 5 of the Audit Committee Regulation, the Audit Committee is responsible for advising the Board of transactions with related parties. For the approval of such transactions, any directors or related individuals with a direct or indirect conflict of interest must refrain from participating in the discussion and vote on the corresponding resolutions or decisions. Any resolutions or decisions which affect these individuals in their role as director, such as their appointment or removal from the Board and similar concepts, are excluded from the aforementioned obligation.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
Henry McGovern	Metropolitan Properties Internatonal Sp. z o.o.	Entity closely associated to Henry McGovern	Lease agreement of restaurants	148
Henry McGovern	Metropolitan Properties Investments Sp. z o.o.	Entity closely associated to Henry McGovern	Lease agreement of restaurants	149

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
New Precision Limited (Samoa)	Shareholder loan received	1,686
New Precision Limited (Samoa)	Capital increase in subsidiary	1,660

Remarks
The above are transactions executed among subsidiaries without direct participation of AmRest Holdings.

D.5 State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

The director shall take the necessary measures to avoid incurring situations in which his or her own or other interests may conflict with the corporate interest and their duties towards the company.

Article 24 of the Board of Directors Regulation stipulates that directors must inform the Board of any direct or indirect conflicts which they or related individuals may have with the company's interests. In this regard, directors' related parties shall be understood as the following: a) The director's spouse or persons with a similar relationship; b) The director or their spouse's parents, children and siblings; c) The spouses of the director's parents, children and siblings; d) Companies with which the director, directly or by proxy, is affiliated in any of the manners described under article 42, paragraph one of the Spanish Commercial Code. When directors are legal entities, their related parties shall be understood as the following persons: a) Partners or shareholders who are affiliated with such entity in any of the manners described in article 42, paragraph one of the Commercial Code; b) De jure or de facto directors, liquidators and attorneys with general powers of attorney in the company's legal entity director; c) Companies forming part of the same group and their partners or shareholders; d) Persons who, pursuant to the provisions of the preceding paragraph, qualify as affiliates in respect of the above legal entity's representative.

As set forth in said Regulation with regard to the duty of loyalty, directors are obliged to refrain from participating in the discussion and vote on resolutions or decisions with which they or a related individual have a direct or indirect conflict of interest. Any resolutions or decisions which affect these individuals in their role as director, such as their appointment or removal from the Board and similar concepts, are excluded from the aforementioned obligation.

Article 24 of the Board of Directors Regulation obliges the directors to refrain from: (a) Carrying out transactions with the company, except when they are part of the company's ordinary business, are carried out under normal market conditions and are of little significance, with these being understood to be those involving information that is not required to express a true image of the company's property, financial situation and results; (b) Using the company's name or adducing their standing as director to have undue influence when carrying out private transactions; (c) Making use of the corporate assets, including the company's confidential information, for private means; (d) Taking advantage of the company's business opportunities; (e) Obtaining advantages or remuneration from third parties other than the company or its group, associated to the discharge of their duties, other than minor matters of mere courtesy; (f) Carrying out activities on their own, or another's, behalf which entail effective competition, whether currently or potentially, or which, in any other way, places them in permanent conflict with the company's interests.

Additionally, the Company set the Procedure for Conflicts of Interest and Related-Party Transactions with Senior Officers (the "Procedure") of AmRest Holdings, SE, establishing the rules that must be followed in those situations in which there is a direct or indirect conflict of interest between the interest of the Company or any of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law and the interest of said persons or of other persons that the Audit Committee decides to make subject to the conflict of interest rules or the persons related thereto, as well as in transactions that said persons engage in with the companies of the Group. The Code of Business Conduct (uploaded on the Group's corporate website (www.amrest.eu) also governs this matter under section 2.3.

D.7 Is there more than one company in the group listed in Spain?

Yes **No _X_**

Identify the other companies that are listed in Spain and their relationship to the company:

Identity and relationship with other listed group companies

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the subsidiary and other members of the group:

Yes___No __

Describe the business relationship between the parent and subsidiary listed companies as well as between the subsidiary and other members of the group

Identify measures taken to resolve potential conflicts of interest between the listed subsidiary and the other group companies:

Measures taken to resolve potential conflicts of interest

E. RISK MANGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

AmRest has set up a Risk Management Policy that applies to all AmRest Group.
AmRest Management is accountable for daily identifying, analyzing, evaluating, monitoring and addressing the risks in areas of their responsibilities.
Global Internal Audit and Internal Control Function (GIA&IC) supports AmRest Management by realizing planned audit assignments according to the Annual Audit Plan and performing ad-hoc audit assignments. The Management is responsible for preparing action plans addressing identified by GIA&IC risks and opportunities. GIA&IC regularly monitors, verifies and reports to the Audit and Control Committee and Top Management, the implementation of action plans declared by the Management.

Internal Audit Department updates AmRest Risk Map on a regular basis. The objectives of the AmRest Risk Map project are to:

- collect comprehensive and structured information about risks at AmRest Group (identification);

- perform risk prioritization of the identified risks (assessment);
- have an updated and integrated risk map for AmRest Group.

The Risk Map and the reports from Global Internal Audit and Internal Control Department audit assignments are communicated to the AmRest Management for review and undertaking of adequate action plans addressing identified risks and opportunities. The reports together with the declared action plans are communicated to the Audit and Control Committee for overseeing.

The Group has set up as well a Global AmRest Tax Policy that establishes the rules and procedures on this matter and are supervised by the Tax Department and, ultimately, by the Audit Committee.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

The AmRest Risk Management Policy describes risk governance structure in AmRest Group, which includes:

- Board of Directors – provides oversight and review of risk management.
- Audit and Control Committee - oversees regular review of risk management activities.
- Top Management (CEO, CFO, COO, CPO, CIO, etc.) - Promotes risk management culture.
- Management - responsible for designing and execution of risk strategy and control mechanisms which decrease negative impact and/or probability of risks and increase positive impact. Ensure employees comply with the risk management policy and support a culture where risks can be identified, addressed and escalated.
- Internal Audit and Internal Control Department - Analyses and evaluates risk management, internal controls and corporate governance and provides recommendations supporting risk.
- Operations Department. Identification of operational risks.

According to the "Regulations Audit and Control Committee of the Board of Directors of AmRest Holding SE", the Audit and Control Committee oversees among others the effectiveness of the Company's internal control system, the internal audit, and the risk management. For such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up;

The finance team, led by the Chief Financial Officer, is responsible for the Group's tax policy and for the implementation of its tax strategy. Tax strategy is reviewed on an ongoing basis as part of the regular financial planning cycle. The Audit Committee is responsible for monitoring all significant tax matters. Audit Committee meetings are usually attended by a number of Group officers and employees including people from the tax, internal audit and financial reporting areas, including the Chief Financial Officer.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives

The AmRest group is subject to various risks in the different markets in which it does business, which may prevent it from achieving its business goals.

1. Factors remaining outside the Group's control: 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.

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.

3. Dependency on cooperation with minority shareholders. - AmRest opens Starbucks restaurants in Poland, the Czech Republic and Hungary based on a partnership agreements with Starbucks Coffee International, Inc. The partnership assumes Starbucks Coffee International, Inc. is the minority shareholder of companies operating Starbucks stores in mentioned countries. Therefore, some decisions as part of the joint business activities are dependent on the partners' consent.

4. No exclusivity rights - The franchising agreements concerning running of KFC, Pizza Hut Dine-In (excluding Russia and Germany) and Burger King (excluding Czech Republic and Slovakia) restaurants do not contain provisions on granting AmRest any exclusivity rights on a given territory, protection or any other rights on the territory, in the area or on the market surrounding AmRest restaurants. In the case of Starbucks restaurants, AmRest subsidiaries are the only entities authorised to develop and run Starbucks cafés in Poland, the Czech Republic and Hungary, without exclusivity rights to some institutional locations. The exclusive rights apply also to restaurants operated in Romania, Bulgaria, Germany and Slovakia.

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.

6. Risk related to the consumption of food products – Consumer preferences may change in connection with:

- doubts arising as to the healthful properties of main ingredients,
- unfavorable information being circulated by the mass media concerning the quality of the products, diseases caused by them and damages to health,
- revealing unfavorable data prepared by the government or a given market sector concerning the products served in AmRest restaurants and restaurants of other franchisees and coffee stores.

7. Risk related to keeping key personnel in the Group – AmRest success depends to some extent on the individual effort of selected employees and key members of management. Their loss may have a short-term adverse effect on the business activities and operating results of the AmRest.

8. Risk related to labour costs of restaurant employees and employing and keeping professional staff - Running restaurant business on such a large scale as AmRest 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. Additional risk in employment area may be caused by fluctuations in unemployment rate.

9. Risk related to limited access to foodstuffs and the variability of their cost – The AmRest situation is affected by the need to ensure frequent deliveries of fresh agricultural products and foodstuffs and anticipating and responding to changes in supplies costs. The Group 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 Group or to price increases for those products.

10. Risk related to developing new brands - AmRest has operated La Tagliatella, Blue Frog, KABB, Bacoa and Sushi Shop 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.

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.

12. Currency risk - The results of AmRest are exposed to currency risk related to transactions and translations into currencies other than Euro.

13. Risk of increased financial costs: AmRest 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.

14. Liquidity risk - The Group is exposed to the risk of lack of financing at the moment of maturity of bank loans and bonds.

15. Credit risk – exposure to credit risk include cash and cash equivalents and trade and other receivables. With the development of franchise business, AmRest is getting exposed more to credit risk. Therefore the quality of franchisees portfolio is key priority.

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.

17. 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 Group might result in temporary interruptions, which might have an adverse effect on the Group's financial results.

18. Cyberattack risk - Group's operations are supported by wide variety of IT systems, including point-of-sale systems, electronic ordering platforms, supply-chain management systems and finance and controlling tools.

As regards tax risks it should be noted that AmRest is present in many countries where the tax legislation is often complex and subject to interpretation, which may create risks and uncertainty about tax position adopted. Where uncertainty exists and in other cases identified by AmRest tax team, where tax exposure is deemed significant, we seek clarification from external experts and/or tax authorities. Tax risk is also generally attributable to uncertainty about the interpretation of tax law in relation to particular transactions and the business's view about whether a tax administration could have a different view to its own or the view of its advisors.

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

The Company set a level of risks tolerance or acceptable risk level established at a corporate level. This threshold represents the extent to which it is prepared to assume a certain level of risk, insofar as it may contribute to generating value and developing the business, achieving an appropriate balance between growth, performance and risk.

The AmRest Risk structure includes a 3-level risk classification system:

- The first level (main categories of risks) is divided into 4 areas:
  - Strategic,
  - Operational,
  - Financial,
  - Compliance.
- The second level includes specific categories;
- The third level contains specific risks.

The risks are evaluated by using the consistent parameters: vulnerability, impact and probability.

Risks can be classified to one of the areas: High Impact, Cumulative Impact, Over Controlled or Mitigated.

Internal Audit identified high risk processes which are audited with frequency defined with the Audit and Control Committee.

E.5 State which risks, including tax compliance risks, have materialised during the year.

Some risks related to the activity of the Company have materialized during the year. None of these risks had a relevant impact on the AmRest business since the measures for their prevention and/or mitigation worked properly.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

In order to address and supervise the Group's risk management and control (including fiscal risks), model is based on a series of tools/processes described in section E.1 and E.2 of this report.

Global Internal Audit and Internal Control Function (GIA&IC) support AmRest Management to identify risks and provide recommendations in risk management, prepare action plans addressing risks, and monitor and verify their implementation.

There are the following committees operating at AmRest in order to respond and supervise entity's main risks:

- Audit & Control Committee;
- Information Security Committee;

- Ethics Committee;
- Crisis Management Committee;

To reduce unnecessary tax risk AmRest introduced the following rules:
1) applies the Tax Policy which includes good practices in respect of taxes,
2) ensures that the company has the accounting and control mechanisms needed to handle day to day tax and reporting requirements,
3) ensures that tax is properly considered as part of corporate decision making processes,
4) considers the probability of a different approach of tax authority to the application of the tax law and acting in a manner which mitigates such risk.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (IFCR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 CONTROL ENVIRONMENT

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

The board of directors is ultimately responsible for the internal control and risk management systems. In this sense, in accordance with article 19.4.b) of the Regulations of the Board of Directors, this function is entrusted to the Audit and Control Committee. In particular, the audit committee shall:

- oversee the effectiveness of the Company's internal control system, the internal audit, and the risk management system and discuss with the accounting auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence;
- oversee the process for preparing and disclosing mandatory financial information regarding the Company and submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such financial information.

Regulations on Audit and Control Committee adopted, develop and supplement the provisions of the Status and Regulations of the Board of Directors. With regard to the process of preparing economic and financial information, Audit and Control Committee shall:

- oversee the process of preparation and submission and the clarity and integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and to oversee the review of the interim financial statements requested from the auditor, with the scope and frequency that may be defined, as the case may be
- review compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of such generally accepted accounting principles and international financial reporting standards as may be applicable
- submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of the financial information
- advice the Board of Directors on any significant change of accounting standard and of the significant risks on the balance sheet and off-balance sheet;

The Finance Department prepares the financial information and submits it for approval of the Audit Committee and the Board, and keeps the daily interaction and communication with the Group's external auditor.
Additionally, the Internal Auditing Department of the Group, with regard to its function of supporting the Auditing Committee when supervising the efficiency of the Internal Control System and company Risk Management, includes in its audit plan periodic revisions of the internal, financial and operational controls; the results of these revisions are summarized in the audit reports indicating the deficiencies detected and the action plans proposed by the Group Management to remedy them.
The Company has also adopted the Regulatory Compliance Policy implementing:

- Set of operating principles associated with the main compliance areas affecting organization;
- Set of mechanisms and procedures to prevent, identify and resolve situations in which unethical, unlawful practice or regulatory breaches occur in the course of our activities.

Lastly, the code of business conduct sets out the main ethical principles and regulations on behavior for all Group employees.

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

- **Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.**

The Group, through the corporate organisation division and the organisational units for each country, defines, implements and maintains the organisational structures, set of job positions aligned with the size and complexity of the units and strategy of the Group, addressing appropriate distribution of work and segregation of duties.
Global Internal Audit and Internal Control Function (GIA&IC) reviews during its assignments any risks related to responsibilities and reporting lines, proper distribution of work and duties. In case of identifying such risks, GIA&IC provides recommendations, requests for action plans and later monitors & verifies their implementation. GIA&IC reports, including risks, recommendations, action plans and status of action plans monitoring & verification, are communicated to the Audit and Control Committee and the Top Management.
Internal Audit functionally reports to the Chair of the Committee. With respect to the process of preparing financial information group has set in place, several policies, instruction and manuals (like Group Reporting and Accounting Manual, Group Charts of Accounts, Financial Calendar, Corporate Fiscal Policy, Finance and Investment Policy, Regulatory Compliance Policy, Risk Management Policy) determining responsibilities and authorities. Preparation of financial information concerns planning, the distribution of tasks and functions, specific timeline, various reviews to be performed at several levels and dissemination thereof. To this end, the Group has financial accounting and control functions in each of its operating markets; which are headed up by a controller responsible for implementing and integrating at the local level of global policies defined by Group ensuring the unified reporting standards across all the Group.

- **Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.**

According to the Code of Conduct, the Ethics Committee addresses all issues related to compliance with the Code of Business Conduct, including resolutions of a breach or a suspected breach of the Code by Employees and Co-workers of AmRest Group.
The Committee operates and runs its meetings in compliance with the Code of Conduct and the appropriate directives issued by the CEO, the Board of Directors or its Executive Committee. The Committee members are appointed and dismissed by the Audit and Control Committee at the recommendation provided by the Chief People Officer of AmRest ("CPO").

- **Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.**

AmRest makes available access to an email address to inform in a safe and confidential manner about any non compliance with the AmRest procedures, Code of Conduct, regulatory non compliance or absence of internal control.

- **Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.**

With regard to employee training in financial and control issues, AmRest provides through its:

- AmRest HighPots School
- AmRest College
- AmRest University
- Senior Leadership Development Program

a wide educational offer reflecting the needs of the organization.
Financial reporting personnel attend technical sessions run by external consultancy firms and covering developments in accounting. Likewise, the Group relies on the external advice of experts in specific areas related to the financial reporting.
AmRest supports also financial reporting personnel in getting professional and internationally recognized certificates like ACCA or CIMA. AmRest supports Internal Auditors in getting professional and internationally recognized certificates like CIA, CISA, CFE and others.

F.2 ASSESSMENT OF FINANCIAL INFORMATION RISKS

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

Whether the process exists and is documented.

AmRest Group's risk identification and assessment is an internal process, defined by Risk Management Policy adopted by the Company and cascaded to all subsidiaries within the Group.
Per this policy, process carried out by:

- the Board of Directors and Audit Committee (oversight and review of risk management),
- Top Management (promoting risk management culture),
- Management - Responsible for designing and executing of risk strategy and control mechanisms
- Internal Audit and Internal Control Department (evaluating risk management, internal controls and corporate governance and providing recommendations)
- Employees and Co-workers (complying with risk management policies and procedures)

Section E.4 of this report indicates the risk classification system, which takes into account all classes of risk. Its scope is greater than the risks directly related to the preparation of the Group's financial information.
In relation to reporting of financial information the Group additionally ensures the existence of specific controls covering the potential risk of error or fraud in the issuance of the financial information, i.e., potential errors in terms of:

the existence of the assets, liabilities and transactions as of the corresponding date and reporting period; proper and timely recognition and correct measurement of its assets, liabilities and transactions; and the correct application of the accounting rules and standards and adequate disclosures.
These controls are applied dynamically and updated continually to reflect the reality of the Group's business as it evolves.

- **If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.**

Identification of risks is carried out for each process identified as relevant based on the objectives of the financial reporting: existence and occurrence, completeness, valuation, presentation, breakdown and comparability, and rights and obligations.

- **The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.**

In the process of identifying the consolidation scope, the Group Controller (Head of Group Accounting Department), regularly updates the consolidation scope, verifying all changes (additions and removals) in the Group structure. Any changes within the scope of consolidation are subject to Audit and Control Committee approval.

- **If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**

The process of identifying risks leading to errors in the financial reporting takes into account also qualitative factors, together with other types of risk (like operational, financial, strategic, regarding regulatory compliance) as they ultimately affect the financial statements.

- **The governing body within the company that supervises the process.**

The Board through the Audit and Control Committee, supervises this process.

F.3 CONTROL ACTIVITIES

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

As indicated in F.1.1 section of this report, the Board of Directors relies on the Audit and Control Committee to supervise the process of preparing and presenting the required financial information relating to the Company and the Group, including related nonfinancial information, as well as its integrity, reviewing the Audit Committee in the first place compliance with regulatory requirements, the proper determination of the scope of consolidation and the correct application of accounting standards.

The Audit and Control Committee also has the duty to report to the board, in advance of the adoption by it of the corresponding decisions, regarding the financial information that the Group must periodically make public, ensuring that such information is prepared in accordance with the same principles and practices used to prepare the financial statements and is as reliable as such statements.

Each quarter the Group Accounting Department submits the periodic consolidated financial information to the Audit and Control Committee, highlighting the main assumptions and accounting criteria applied and clarifying any significant events which occurred during the reporting period.

Likewise, the AmRest Group has in place documented financial processes, which implies common criteria for preparing financial information for all subsidiaries within the Group. The Group Accounting Department issues mandatory instructions setting out the calendar and contents for the financial reporting period for the preparation of the consolidated financial statements.

The Group Accounting Department also follows documented procedures for preparing consolidated financial information (provided in section F.4.2).

The Group Accounting Department reviews the key judgments, estimates, valuations and forecasts to identify critical accounting policies that require the use of estimates and value judgments. The most relevant are dealt with by the Audit and Control Committee. Senior management defines the format for presenting the financial statements prior to approval by the Board.

The most significant aspects of the accounting close process and the review of the material judgements, estimates, measurements and projections used are as follows:

- impairment losses on certain assets,
- the useful life of the tangible and intangible assets,
- the measurement of goodwill arising on consolidation,
- the fair value of the identifiable assets acquired and the liabilities assumed in business combinations.

The Board of Directors is responsible for approving the financial information that the Group, being a listed company, is obliged to publish.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The Group's IT systems are directly or indirectly related to the financial reporting and financial statements as such. They are configured to ensure the correct preparation and publication of financial information at all times by means of a specific internal control procedures. The Group has internal policies and procedures, which are duly updated and distributed, relating to systems security and access to the IT applications and systems based on roles and in accordance with the duties and clearances ensuring proper separation of powers. The Group's internal policies establish that access to all systems storing or processing data shall be strictly controlled, and that the level of access control required is determined by potential impact on the business. Access rights are assigned by Group experts in this area, by roles and functions. In addition, to ensure compliance, the user and profile maintenance control and review processes in which responsible personnel in each area are involved ensure that information is only available to persons who need it for their work.

Per Group's methodology, any new software developments and any updates of existing IT solutions go through 3 phases, i.e. design, development, and test before final implementation to the productive environment, which guarantees that financial information is handled reliably.

The Group have taken necessary steps to ensure on-going performance of key functions in the event of disasters or other events that could halt or interrupt business operations. These steps constitute specific initiatives mitigating the scale and severity of IT incidents and ensuring that operations are up and running again as quickly and with as little damage as possible. The Group has highly automated back-up systems to ensure the continuity of the most critical systems. In addition, there are specific risk mitigation strategies in place, such as cloud and virtual data processing centres, back-up power suppliers and offsite storage facilities.

F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

AmRest Group does not usually outsource to third parties activities that have the impact on the financial reporting process. In case a process or its part is outsourced to an independent party, the same set of policies and procedures applicable for internal reporting purposes, is put in place for the external contractor, to ensure coverage of the risks associated with such outsourcing. The Group puts in place service level agreements ensuring the integrity and quality of information provided by external contractors. The Group mostly assesses its estimates in house. Whenever it is advisable to hire a third party contractor, it does so having verified their expertise and independence, and validated their methods and the reasonableness of the assumptions made.

F.4 INFORMATION AND COMMUNICATION

State whether the company has at least the following, describing their main characteristics:

F. 4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organization, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

Group Accounting department is responsible for defining, updating and disseminating the accounting policies of the AmRest Group. Accordingly, it has an Group Reporting and Accounting Manual adapted to the needs of the Group. These accounting policies are developed based on the International Financial Reporting Standards adopted by the European Union (IFRS).

The Group Reporting and Accounting Manual is disseminated throughout all the personnel involved in the financial reporting process.

Any significant changes affecting Group Reporting and Accounting Manual, are communicated to the organization together with the updated Manual. Group Accounting department consist of high qualified personnel and resolves queries or conflicts deriving from the interpretation of the accounting standards and/or policies.

F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

The Group's reporting structure supplies different kinds of services, including:

- General IT systems
- Management systems providing information for business monitoring and control purposes.
- Business systems encompassing the operation (sales) related systems
- Structural systems providing the data shared and used by all the applications and services. These systems include all those related to the accounting and financial information.

The same accounting system has been already implemented already in main subsidiaries, the Group's though is still in progress of implementing it in remaining subsidiaries. Group is in the process of integration of subsidiaries and business acquired recently.

Likewise, Group has a consolidation system that enables standardized information to be obtained about the Group's companies for the consolidation purposes.

As stated above, there is a Group Accounting and Reporting Manual and Group Charts of Accounts, which include specific instructions on preparing the financial statements.

Preventive controls have been defined, ensuring safe data input to the consolidation system. The implementation of this solution ensure for the financial statement information and the annual accounts standardization.

The data in native currencies reported by subsidiaries are within the consolidation system automatically and in standardized way converted to euro and are subsequently aggregated to the consolidated figures.
The consolidation process is designed to identify intragroup transactions, ensuring they are correctly eliminated. In addition, in order to ensure the quality and comprehensiveness of the information, the consolidation system is configured to make investment-equity elimination adjustments and to eliminate intragroup transactions, which are generated automatically in keeping with the system settings and checks.
This entire process is highly automated and includes automatic controls to enable the detection of incidents in the consolidation process. The Group Accounting and Planning & Analysis departments perform additionally oversight and analytical controls.

F.5 SUPERVISION OF SYSTEM PERFORMANCE

Describe at least thefollowing:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The Corporate Bylaws and Regulations of the Board of Directors state that the primary duty of the Audit and Control Committee shall be to support the Board of Directors in its supervisory duties, with its main functions including: supervising the effectiveness of the Company’s internal control system and risk management systems, and discussing with the Auditors significant or material weaknesses in the internal control system detected during the audit. The Audit and Control Committee is responsible for supervising the effectiveness of the internal controls carried out by the AmRest Group's Internal Audit function.
The Internal Audit function reports functionally to the Audit and Control Committee, with the primary goal of lending them support in their responsibilities concerning ensuring governance, risk management, and the Group's Internal Control System. Internal Control comprises all process which may reasonably ensure compliance with law, regulations and internal rules, reliability of information, efficiency and efficacy of operations, and the integrity of the organization’s net worth.
The Internal Audit function is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Internal Audit Function is being governed by Internal Audit Article of Association.
With regard to supervision of Internal Control over Financial Reporting (ICFR), AmRest is listed on the Spanish Stock Exchanges (and Warsaw Stock Exchange) and is subject to the regulatory requirements established by the supervision authority (CNMV) applicable to companies being traded on Spanish Stock Exchange.

F.5.2 If there is a procedure by which the account auditor (in accordance with the contents of the *Normas Técnicas de Auditoría* (NTA) - “Auditing Standards”), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

According to the Internal Audit Articles of Association, the GIA&IC reports progress of Annual Audit Plan realization, issues with controls, corporate governance, significant AmRest risks, progress of recommendations implementation and others which are required by CFO and/or the Audit Committee.
The irregularities identified by Financial Auditors are included in the GIA&IC process of regular monitoring, verification and reporting of the implementation of action plans declared by the Management.

Any irregularities identified in standalone and/or consolidated financial statements are reported to Audit and Control Committee as Summary Report (after the half-year review and audit of the annual accounts). Audit and Control Committee meets the Financial Auditors at least twice a year.
According to the "Regulations Audit and Control Committee of the Board of Directors of AmRest Holdings SE", the Audit and Control Committee should, among others, oversee the effectiveness of the Company's internal control system, the internal audit, and the risk management system and discuss with the accounting auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence For such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors.

With regard to the preparation of the regulated financial information of the Company and its Group, the Committee shall have the following main duties:

a) To oversee the process of preparation and submission and the clarity and integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and to oversee the review of the interim financial statements requested from the auditor, with the scope and frequency that may be defined, as the case may be;
b) To review compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of such generally accepted accounting principles and international financial reporting standards as may be applicable;
c) To submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of the financial information; and
d) To advice the Board of Directors on any significant change of accounting standard and of the significant risks on the balance sheet and off-balance sheet.

F.6 OTHER RELEVANT INFORMATION

N/A

F.7 EXTERNAL AUDITOR´S REPORT

Report from:

F.7.1 If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given

The information on the internal control over the financial reporting system has been not submitted for review by the external auditor as the Group continues implementing the improvements and recommendations arising from the ICFR implementation process at corporate level in Spain and the in its main subsidiaries.

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company´s actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies | Complies partially | **Explanation X** |

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies | Complies partially | Explanation | **Not Applicable X** |

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies | Complies partially | **Explanation X** |

Given that the Company's shares were listed on the Spanish Stock Exchanges on November 2018, at last year's AGM in June the Chairman did not provided such information verbally to the shareholders.

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies | Complies partially | **Explanation X** |

The Company has such a policy although its approval and publication took place after 31 December 2018.

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for

delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies X | Complies partially | Explanation |

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

a) Report regarding the auditor's independence.

b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.

c) Report by the audit committee regarding related-party transactions

d) Report on the corporate social responsibility policy.

Complies X | Complies partially | Explanation |

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies | Explanation X |

Thus far, the holding of the General Shareholders' Meeting has not been transmitted via the corporate website since the implementation of the mechanisms required for such retransmission has not been considered necessary, taking into account the shareholder structure of the Company. GSMs are recorded and the audio is uploaded on the Company's website.

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies X | Complies partially | Explanation |

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies X | Complies partially | Explanation |

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

a) Immediately distributes the additions and new proposals.

b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies | Complies partially | Explanation | **Not Applicable X** |

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies | Complies partially | Explanation | **Not Applicable X** |

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies X | Complies partially | Explanation |

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies X | Explanation |

14. That the Board of Directors approves a selection policy for directors that:

a) Is concrete and verifiable.
b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies | **Complies partially X** | Explanation |

The Company partially complies with this recommendation to the extent that AmRest's Director Selection Policy expressly provides that every effort will be made to ensure that, within five years of the approval of such policy (i.e. in 2023), the number of female directors represents at least 30% of the members of the Board. The reason for such five year period since AmRest listing in Spain was to mirror the adaptation period given to the Spanish listed companies upon approval of the current Corporate Governance Code (2015-2020).

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies X| Complies partially | Explanation |

16. That the percentage of proprietary directors divided by the number of non- executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.
This criterion may be relaxed:

a) **In companies with a high market capitalisation in which interests that are legally considered significant are minimal.**
b) **In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.**

Complies X| Explanation |

17. That the number of independent directors represents at least half of the total number of directors.
Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies X | Explanation |

AmRest has one shareholder who indirectly controls 56.377% of the Company so it considers that the number of independent directors of the Company (two out of a total of seven) which basically represents one third of the total number of directors (specifically, 28.6% of the total) is an adequate number of independent directors in line with this recommendation.

18. That companies publish and update the following information regarding directors on the company website:

a) **Professional profile and biography.**
b) **Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.**
c) **Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.**
d) **The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.**
e) **The shares and options they own.**

Complies X| Complies partially | Explanation |

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity

interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies | Complies Partially | Explanation | **Not Applicable X**|

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies X| Complies Partially | Explanation | Not Applicable |

Although such a case has not occurred yet, the Board regulations establish that directors shall tender their resignation when the reasons of their appointment have disappeared, among others, in the case of proprietary directors when the relvant shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies X| Explanation |

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies | **Complies partially X**| Explanation |

The Company's internal regulations provides that directors must place their position at the disposal of the Board and formalize, if the Board deems it appropriate, the corresponding resignation, when their permanence on the Board could jeopardize the interests of the Company or negatively affect its credit and reputation, although it does not expressly refer to the obligation to report on criminal cases.

Before approval of this report the Regulation of the Board has been amended to specifically include such provision.

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.
Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.
This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies X| Complies Partially | Explanation | Not Applicable |

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies | Complies Partially | Explanation | Not Applicable X|

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.
And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies X| Complies partially | Explanation |

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies X| Complies partially | Explanation |

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies X| Complies partially | Explanation |

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies X| Complies Partially | Explanation | Not Applicable |

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies X| Complies partially | Explanation |

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require

Complies X| Explanation | Not Applicable |

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.
When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

Complies X| Complies partially | Explanation |

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies X| Complies partially | Explanation |

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies X| Complies partially | Explanation |

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non- executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies | **Complies Partially X**| Explanation | Not Applicable |

AmRest partially complies with the recommendation to the extent that the Regulations of the Board of Directors attribute in article 16 the following functions to the Coordinating Director: a) to reflect the concerns of non-executive directors and to meet them when it considers it appropriate; b) to request the calling of the Board of Directors or the inclusion of new items of the day in a meeting of the Board already called; and c) to direct the periodic evaluation of the Chairman of the Board of Directors.

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies X| Explanation |

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.
b) The workings and composition of its committees.
c) Diversity of membership and competence of the Board of Directors.
d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies X| Complies partially | Explanation |

Given that the Company relocated its domicile to Spain in March 2018 and then set up the existing Board of Directors, it has not yet performed the three years evaluation with the assistance of an external advisor.
The first annual review in respect of 2018 has been performed before the approval of this report.

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies X| Complies Partially | Explanation | Not Applicable |

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies X| Complies Partially | Explanation | Not Applicable |

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies X| Complies partially | Explanation |

Although it is provided in the Regulations of the Board of Directors that at least one of the members of the audit committee shall be appointed on the basis of his or her knowledge and experience in accounting, auditing or both, the Company complies with the recommendation to the extent that all current members of the Audit Committee have a professional background requiring a strong knowledge of accountancy matters.

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies X| Complies partially | Explanation |

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies X| Complies Partially | Explanation | Not Applicable |

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:
    a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
    b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re- election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
    c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.
2. With regard to the external auditor:
    a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
    b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
    c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
    d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
    e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies X| Complies partially | Explanation |

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies X| Complies partially | Explanation |

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies X | Complies Partially | Explanation | Not Applicable X|

45. That the risk management and control policy identify, as a minimum:

a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.
b) Fixing of the level of risk the company considers acceptable.
c) Means identified in order to minimise identified risks in the event they transpire.
d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies | **Complies partially X**| Explanation |

The Company has a Risk Management Policy which covers most but not all the above matters.

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies X| Complies partially | Explanation |

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies X| Complies partially | Explanation |

48. That high market capitalisation companies have formed separate appointments and remuneration committees.

Complies | Explanation | **Not Applicable X**|

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.
And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies | **Complies partially X**| Explanation |

Although it is not expressly contemplated in AmRest's internal regulations for the Appointments and Remunerations Committee to consult the Chairman of the Board and the chief executive when dealing with matters relating to executive directors, in practice said Committee indeed consult the Chairman and the Chief Executive on those matters.

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Propose basic conditions of employment for senior management.
b) Verify compliance with company remuneration policy.
c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies X| Complies partially | Explanation |

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies X| Complies partially | Explanation |

Although it is not expressly contemplated in AmRest's internal regulations for the Appointments and Remunerations Committee to consult the Chairman of the Board and the chief executive when dealing with matters relating to executive directors, in practice said Committee indeed consult the Chairman when needed (not the Chief Executive since there is only one executive director in AmRest). Since there is only one Executive Director, he is consulted in matters related to senior management.

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
b) That their chairmen be independent directors.
c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.
d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
e) That their meetings be recorded and the minutes be made available to all directors.

Complies | Complies Partially | Explanation | Not Applicable X|

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.

d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.
f) Supervision and evaluation of the way relations with various stakeholders are handled.
g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
h) Coordination of the process of reporting on diversity and reporting non- financial information in accordance with applicable rules and international benchmarks.

Complies | **Complies partially X** | Explanation |

Although not expressly contemplated in AmRest's internal regulations, both the Audit Committee and the Appointments and Remuneration Committee execute the functions referred to in this recommendation.

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

a) The objectives of the corporate social responsibility policy and the development of tools to support it.
b) Corporate strategy related to sustainability, the natural environment and social issues.
c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.
e) Means of supervising non-financial risk, ethics, and business conduct.
f) Communication channels, participation and dialogue with stakeholders.
g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies | **Complies partially X**| Explanation |

The Company partially complies with this recommendation to the extent that it has a Corporate Social Responsibility Policy, available on its website, although it does not include all the principles contained in the recommendation.

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies

Complies X| Complies partially | Explanation |

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies X| Explanation |

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies X| Complies partially | Explanation |

58. That, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances. And, in particular, that variable remuneration components:

- **a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.**
- **b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.**
- **c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.**

Complies | **Complies Partially X**| Explanation | Not Applicable |

The remunerations policy and practices of the Company fairly align with these criteria and the Board and the Appointments and Remunerations Committee are in constant review to improve Company's practices as regards variable remuneration.

57. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies X| Complies Partially | Explanation | Not Applicable |

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies | Complies Partially | **Explanation X**| Not Applicable |

Among the terms and conditions of the remuneration related to company results there is no reference to reservations which may appear in the external auditor's report.

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies X| Complies Partially | Explanation | Not Applicable |

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.
The foregoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies X| Complies Partially | Explanation | Not Applicable |

It complies with the restriction that they may not exercise options or rights until a term of at least three years has elapsed since they received said shares

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies | **Complies Partially X**| Explanation | Not Applicable |

The Group's remuneration policy includes such a clause although it is not specifically included in contractual arrangements. In any case variable remuneration is always paid after performance criteria has been properly confirmed.

64 That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies X| Complies Partially | Explanation | Not Applicable |

H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010

As AmRest is listed on the Warsaw Stock Exchange, the Company periodically reports on the degree of compliance with the corporate governance recommendations required by applicable law through the publication of the Declaration of Compliance with the Principles of Good Practice for Companies Listed on the Warsaw Stock Exchange.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 27 February 2019.

State whether any directors voted against or abstained from voting on this report.

Yes No X

Name of director who has not voted for the approval of this report	Reasons (against, abstention, non-attendance)	Explain the reasons

Signatures of the Board of Directors

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

Henry McGovern
Member of the Board

Steven Kent Winegar Clark
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mustafa Ogretici
Member of the Board

Madrid, 27 February 2019

KPMG Asesores S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on the Consolidated Non-Financial Information Statement of AmRest Holdings, S.E. and subsidiaries for the year 2018

To the shareholders of AmRest Holdings, S.E.:

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Consolidated Non-Financial Information Statement (hereinafter NFIS) for the year ended 31 December 2018, of AmRest Holdings, S.E. (hereinafter the Company) and subsidiaries (hereinafter the Group) which forms part of the accompanying Group's consolidated Directors' Report for 2018.

The Group's Directors' Report includes additional information to that required by prevailing mercantile legislation that has not been the subject of our assurance work. In this regard, our assurance work was limited only to providing assurance on the identified information contained in the Non-financial Information Statement of AmRest Holdings SE for 2018 included in the accompanying Group's Directors' Report.

Directors' responsibilities

The Board of Directors of the Company is responsible for the preparation and presentation of the NFIS included in the Group's consolidated Directors' Report. The NFIS has been prepared in accordance with the prevailing mercantile legislation and following the selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with that mentioned for each subject area in the Non-financial Information Statement of AmRest Holdings SE for 2018 of the aforementioned Group's Directors' Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The directors of the Company are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the NFIS was obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed that exclusively refers to the year 2018. The data for previous years were not subject to assurance according to prevailing mercantile legislation.

We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units of the Group that participated in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and sample review testing described below:

– Meetings with Group personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.

– Analysis of the scope, relevance and completeness of the content of the NFIS based on the materiality analysis performed by the Group and described in the section "Risk management and non-financial risks" considering the content required in prevailing mercantile legislation.

– Analysis of the processes for compiling and validating the data presented in the NFIS for 2018.

– Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2018.

– Corroboration, through sample testing, of the information relative to the content of the NFIS for 2018 and whether it has been adequately compiled based on data provided by information sources.

– Procurement of a representation letter from the Directors and management.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of AmRest Holdings, S.E. and subsidiaries for the year ended 31 December 2018 has not been prepared, in all material respects, in accordance with the contents collected in prevailing mercantile legislation and following the selected GRI Standards, in accordance with that mentioned for each subject area in the Non-financial Information Statement of AmRest Holdings SE for 2018 of the accompanying Group's Directors' Report.

Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.

Patricia Reverter Guillot

28 February 2019

AmRest Holdings, S.E.

Annual Accounts

31 December 2018

Directors' Report

2018

(With Independent Auditor's Report Thereon)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

To the shareholders of AmRest Holdings, S.E.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of AmRest Holdings, S.E. (the "Company"), which comprise the balance sheet at 31 December 2018, and the income statement, statement of recognised income and expenses, statement of cash flows and statement of changes in equity for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable amount of investments in Group companies See note 6 to the annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2018 the Company has recognised investments in Group companies amounting to Euros 391.7 million. The recoverable amount of investments in Group companies is determined, for those companies in which there is objective evidence of impairment, by applying valuation techniques which often require the exercising of judgement by the Directors and the use of assumptions and estimates. Due to the uncertainty associated with these estimates, this has been considered a key audit matter.	Our audit procedures included the following: - We evaluated the design and implementation of the key controls related to the measurement process. - We assessed impairment indicators identified by the Company, as well as the methodology and assumptions used to estimate the recoverable amount, contrasting the information contained in the model with the business plans of investees in which indications of impairment exist. - We evaluated the methodology and assumptions used to estimate the recoverable amount, by determining the higher of value in use and fair value less costs to sell, based on discounted cash flows. - We involved our valuation specialists to assess the reasonableness of the main assumptions used by the Company. - We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.

Share-based payments See note 9 to the annual accounts	
Key audit matter	*How the matter was addressed in our audit*
The Company has share-based incentive schemes for key employees at the Company and at its main subsidiaries. This circumstance has been considered a key audit matter due to its significance to the Company's financial statements for 2018 and the complexity of the accounting methods associated with the incentive schemes offered, and in view of the distribution of costs and payments between all of the Group companies to which the schemes apply.	Our audit procedures included the following: - We analysed the main terms and conditions of the incentive schemes. - We assessed the accuracy of the accounting methods applied, whether the costs were distributed correctly amongst the companies in accordance with such methods, and their consistency with the prior year. - We performed tests of detail on a sample of options granted and options exercised by employees under the aforementioned schemes in the audited period. - We involved our valuation specialists to assess the reasonableness of the main assumptions used by the Company, evaluating the methodology and assumptions applied to estimate the fair value of the options. - We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors' Report

Other information solely comprises the 2018 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility as regards the content of the directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the directors' report and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the specific information referred to in a) above has been provided in the directors' report, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2018, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors[2].
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the audit committee of AmRest Holdings, S.E. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 28 February 2019.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 6 June 2018 for a period of three years, from the year ended 31 December 2018.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

AUDITORES
INSTITUTO DE CENSORES JURADOS
DE CUENTAS DE ESPAÑA

KPMG AUDITORES, S.L.

Año 2019 Nº 01/19/01647
COPIA

Informe de auditoría de cuentas sujeto
a la normativa de auditoría de cuentas
española o internacional

Carlos Peregrina García
On the Spanish Official Register of
Auditors ("ROAC") with No. 15.765

28 February 2019

Wszystko jest możliwe!

Annual Accounts and Directors' Report for the year ended 31 December 2018

AmRest Holdings SE
27 February 2019

AmRest

AmRest

Contents

(all figures in EUR millions unless stated otherwise)

Balance sheet as at 31 December 2018

	Notes	31 December 2018	31 December 2017 (restated*)
Assets			
Intangible assets		0.1	0.1
Non-current investment in group companies	6	591.4	339.5
Equity instruments		391.7	326.1
Loans to group companies		199.7	13.4
Non-current investments	6	26.9	-
Deferred tax assets	11	-	0.3
Total non-current assets		**618.4**	**339.9**
Trade and other receivables	6	1.5	3.0
Receivables from group companies		1.3	2.9
Other receivables		0.2	-
Current tax assets		-	0.1
Current investments in group companies	6	6.0	2.1
Loans to group companies		4.6	2.1
Other financial assets		1.4	-
Cash and cash equivalents	7	22.9	24.4
Total current assets		**30.4**	**29.5**
TOTAL ASSETS		**648.8**	**369.4**
Capital and Reserves without valuation adjustments	8		
Share capital		22.0	0.2
Share premium		237.3	189.1
Reserves		31.0	21.4
Treasury shares		(15.2)	(10.6)
Profit for the period		4.1	10.6
Other equity instruments		(6.2)	(8.8)
Adjustments for changes in value	8	(4.9)	(6.8)
TOTAL EQUITY		**268.1**	**195.1**
Liabilities			
Non-current provisions	9	1.3	2.2
Non-current financial liabilities	6	355.3	134.4
Bonds and other marketable securities		-	33.4
Loans and borrowings from financial institutions		254.3	-
Other financial debt		101.0	101.0
Debts with group companies, non-current		17.7	-
Total non-current liabilities		**374.3**	**136.6**
Current financial liabilities	6	1.3	36.1
Debts with group companies, current	6	0.6	-
Trade and other payables	6	4.5	1.6
Trade and other payables to third parties		0.9	0.6
Trade and other payables to group companies		1.7	0.9
Personnel (salaries payable)		0.1	0.1
Income tax payable		1.5	-
Other payables with tax administration		0.3	-
Total current liabilities		**6.4**	**37.7**
TOTAL LIABILITIES		**380.7**	**174.3**
TOTAL EQUITY AND TOTAL LIABILITIES		**648.8**	**369.4**

**The restatement is described in the note 2 of the Annual Accounts for the year ended 31 December 2018.*

The accompanying notes 1-17 are an integral part of the Annual Accounts for 2018.

(all figures in EUR millions unless stated otherwise)

Income Statement for the year ended 31 December 2018

	Notes	year ended 31 December 2018	31 December 2017 (*restated**)
Revenues		**13.1**	**18.6**
Dividends received from subsidiaries	12	8.4	7.3
Net income from the stock option plan	12	2.7	8.1
Finance income from group companies	12, 14	2.0	3.2
Other operating income		0.1	-
Personnel expenses	12	(0,8)	(0.5)
Other operating expenses	12	(3.1)	(2.2)
Impairments for credits and receivables with group companies		(0.9)	(0.6)
Impairments in investments in group companies	6	(1.0)	(1.2)
Results from operating activities	13	**7.4**	**14.1**
Finance income		-	0.2
Finance expenses		(6.9)	(4.3)
Exchange rates gains and losses		2.2	0.1
Net finance income (expense)		**(4.7)**	**(4.0)**
Profit before income tax		**2.7**	**10.1**
Income tax expense	11	1.4	0.5
Profit for the period		4.1	10.6
Profit for the period		**4.1**	**10.6**

**The restatement is described in the note 2 of the Annual Accounts for the year ended 31 December 2018.*
The accompanying notes 1-17 are an integral part of the Annual Accounts for 2018.

Statement of recognised income and expenses for the year ended 31 December 2018

	Notes	year ended 31 December 2018	31 December 2017 (*restated**)
Profit for the period		**4.1**	**10.6**
Currency translation adjustment	8	-	10.5
Income from measurement of available-for-sale financial assets	8	1.9	**-**
Total recognised income and expenses for the period		**6.0**	**21.1**

**The restatement is described in the note 2 of the Annual Accounts for the year ended 31 December 2018.*
The accompanying notes 1-17 are an integral part of the Annual Accounts for 2018.

(all figures in EUR millions unless stated otherwise)

Statement of cash flows for the year ended 31 December 2018

	Notes	year ended 31 December 2018	31 December 2017 (*restated**)
Cash flows from operating activities			
Profit before tax		**2.7**	**10.1**
Adjustments:		**(6.5)**	**(12.8)**
Impairment losses		1.9	1.8
Dividends from subsidiaries	12	(8.4)	(7.3)
Share based payments adjustment and	12	(2.7)	(8.1)
Finance income	12, 13	(2.0)	(3.4)
Finance expenses	13	6.9	4.3
Exchange gains/losses	13	(2.2)	(0.1)
Changes in operating assets and liabilities		**6.8**	**17.1**
Trade and other receivables	6	6.3	17.4
Trade and other payables	6	0.1	(0.3)
Other		0.4	-
Other cash flows from operating activities		**(5.0)**	**8.8**
Interest paid		(7.1)	(1.4)
Interest received		0.1	3.1
Dividends received from subsidiaries	12	8.4	7.2
Income tax payment	11	(6.3)	(0.1)
Other		(0.1)	**-**
Net cash provided by operating activities		**(2.0)**	**23.2**
Cash flows from investing activities			
Increase in investments loans and borrowings with group companies	6	(252.4)	(187.0)
Proceeds from investment loans and borrowings with group companies	6	10.7	102.9
Investment in other financial assets	6	(25.0)	-
Increase in intangible assets		-	**(0.1)**
Net cash used in investing activities		**(266.7)**	**(84.2)**
Cash flows from financing activities			
Issue of equity instruments	8	69.0	-
Proceeds from disposals of own shares (employees options)	8	0.8	0.9
Acquisition of own shares (employees option)	8	(9.5)	(18.6)
Proceeds on issue debt securities and other financial instruments	6	273.8	100.0
Proceeds from debt with group companies	6, 14	21.5	-
Repayment of debt with financial institutions	6	(20.0)	**-**
Repayment of debt with group companies	6	(3.8)	**-**
Redemption of debt securities	6	(64.6)	**-**
Net cash provided by/(used in) financing activities		**267.2**	**82.3**
Net change in cash and cash equivalents		**(1.5)**	**21.3**
Balance sheet change of cash and cash equivalents"		(1.5)	21.3
Cash and cash equivalents at the beginning of the period	**7**	**24.4**	**2.5**
Translations differences		-	0.6
Cash and cash equivalents as at the end of the period	**7**	**22.9**	**24.4**

**The restatement is described in the note 2 of the Annual Accounts for the year ended 31 December 2018.*

The accompanying notes 1-17 are an integral part of the Annual Accounts for 2018.

(all figures in EUR millions unless stated otherwise)

Statement of changes in equity for the year ended 31 December 2018

	Share capital	Share premium	Legal Reserve	Voluntary Reserves	Treasury shares	Profit or loss for the period	Other equity instru-ments	Adjustment for changes in value	Total Equity
As at 31 Decemeber 2016	**0.2**	**189.1**	**-**	**12.9**	**(2.5)**	**10.5**	**(3.2)**	**(17.3)**	**189.7**
Adjustment for transition to Spanish GAAP	-	-	-	(1.9)	-	-	-	-	**(1.9)**
As at 1 January 2017 (restated*)	**0.2**	**189.1**	**-**	**11.0**	**(2.5)**	**10.5**	**(3.2)**	**(17.3)**	**187.8**
Total recognised income and expense	-	-	-	-	-	10.6	-	10.5	**21.1**
Transactions on own shares and equity holdings (net)	-	-	-	-	(8.1)	-	(5.6)	-	(13.7)
Transfer of profit or loss to reserves	-	-	-	10.5	-	(10.5)	-	-	-
Other equity movements	-	-	-	(0.1)	-	-	-	-	(0.1)
As at 31 December 2017 (restated*)	**0.2**	**189.1**	**-**	**21.4**	**(10.6)**	**10.6**	**(8.8)**	**(6.8)**	**195.1**
Total recognised income and expense	-	-	-	-	-	4.1	-	1.9	**6.0**
Share capital increase from share premium	21.0	(21.0)	-	-	-	-	-	-	-
Issue of share capital	0.8	69.2	-	(1.0)	-	-	-	-	69.0
Transactions on own shares and equity holdings (net)	-	-	-	-	(4.6)	-	2.6	-	(2.0)
Transfer of profit or loss to reserves	-	-	1.1	9.5	-	(10.6)	-	-	-
As at 31 December 2018	**22.0**	**237.3**	**1.1**	**29.9**	**(15.2)**	**4.1**	**(6.2)**	**(4.9)**	**268.1**

**The restatement is described in the note 2 of the Annual Accounts for the year ended 31 December 2018.*

The accompanying notes 1-17 are an integral part of the Annual Accounts for 2018.

Notes to the Annual Accounts

1. General information

AmRest Holdings SE ("the Company") was incorporated in the Netherlands in October 2000. On 19 September 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. Since March 2018 the Company's registered office has been Enrique Granados 6, 28224 Pozuelo de Alarcón (Madrid), Spain. Previously, the Company had its registered office in Wroclaw, Poland.

The main activity of the Company is the subscription, possession, exploitation, management and transfer of securities and shares of other companies, with the exemption of those subject to specific regulations.

The Company is the parent of a group in the terms established in article 42 section 2 of the Commercial Code and prepares its consolidated financial statements under IFRS. The Group operates Kentucky Fried Chicken ("KFC"), Pizza Hut, Burger King and Starbucks restaurants through its subsidiaries in Poland, the Czech Republic (hereinafter Czechia), Hungary, Slovakia, Russia, Serbia, Croatia, Bulgaria, Romania, Germany, France, Austria, Slovenia and Spain, on the basis of franchises granted. Starting from 1 October 2016 the Group, as a master-franchisee, has the right to grant a license to third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise) in countries of Central and Eastern Europe, while ensuring a certain share of restaurants operated directly by AmRest. Pizza Hut restaurants acquired in France in May 2017, in Germany in July 2017 and in Russia in June 2018 are operated both by AmRest and its sub-franchisees based on master-franchise agreements.

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

In 2018 the Group acquired the Bacoa and Sushi Shop brands, as a result of which it operates own and franchise restaurants in Spain (Bacoa) and own and franchise restaurants in France, Germany, Spain, Belgium, Italy, Switzerland, Luxemburg, UK, UAE, Saudi Arabia and Iran (Sushi Shop).

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

As at 31 December 2018, FCapital Dutch B.V. is the largest shareholder of AmRest and held 56,38% of its shares and voting rights. The parent entity of the Group on the top level is Grupo Finaccess.

These annual accounts have been prepared and approved by the Company's Board of Directors on 27 February 2019. The Board of Directors considers that the annual accounts for 2018 will be approved with no changes by the shareholders at their annual general meeting.

Simultaneously, the Board of Directors has formulated the consolidated financial statements of AmRest Holdings SE and its Subsidiaries for the financial year 2018, which show consolidated profits of Euros 41.3 million and consolidated Equity of Euros 430.6 million (Euros 42.7 million and 322.6 million, respectively for the financial year 2017).

2. Basis of preparation

True and fair view

The Annual Accounts for 2018 have been prepared on the basis of the accounting records of AmRest Holdings SE by the Company's Board of Directors in accordance with the accounting principles and standards contained in the Spanish General Chart of Accounts, and other prevailing legislation, to give a true and fair view of the Company's equity and financial position as of 31 December 2018 and results of operations, changes in equity and cash flows for the year then ended.

Aggregation of items

To facilitate the understanding of the balance sheet and profit and loss account, some items of these statements are presented in a grouped manner, with the required analyses presented in the corresponding notes of the report.

Modification of the information presented for comparative purposes

As indicated in the note 1, In the second half of 2017 the current shareholders of AmRest Holdings SE decided to change the domicile from Wroclaw, Poland to Madrid, Spain. Respective legal documents were submitted to Spanish Court on 1 March 2018.

On 14 March 2018 the Spanish Court approved the change of domicile and registered AmRest's domicile in Madrid.

The Financial Statements for year 2017 (for both separate and consolidated financial statements) was prepared in accordance with IFRS and was published on 8 March 2018 in PLN thousands.

Conversion to the Spanish General Accounting Plan

The Company has analysed the differences of criteria between the principles used previously to present its Financial Statements (prepared in accordance with the IFRS as adopted by the European Union) and the Spanish General Chart of Accounts and made the correspondent adjustments retrospectively calculating the effects from the earlier reporting period from which information is available.

The presentation of the annual accounts of the previous period was also adapted to the formats and classifications of accounts established in the Spanish General Accounting Plan.

Change of the presentation currency

The financial statements for 2017 that were previously published on the Warsaw Stock Exchange in Polish Zlotys (PLN) have been translated into the current presentation currency, which is the Euro (EUR), following the procedures set out in the Rules for Formulation of Consolidated Annual Accounts (NFCAC) that implement the precepts of the Commercial Code.

The resulting translation differences were recognised in Equity.

Change of the functional currency

The Company has prepared an analysis of reassessment of its functional currency and concluded that since 1 January 2018 the Euro is the functional currency of AmRest Holding SE.

To determine that the functional currency of AmRest Holdings is the Euro were taking into consideration the following factors:

- AmRest is a global restaurant operator conducting its activities in many countries and currency zones. Large number of the companies from the Group use EUR as a functional and presentation currency which brings consequently that the origin of funds that the subsidiaries distribute to its parent company are denominated in EUR;
- The vast majority of acquisitions done by AmRest are conducted in EUR and the Long-Term Development Plan includes direct investments from AmRest Holdings in Western Europe where EUR is a functional currency;
- An important part of the net cash flows from financing activities are EUR denominated and it is expected that these amounts increase proportionally to new acquisitions mentioned above;
- As a general rule EUR is the functional currency and presentation currency of the entities domiciled in Spain.

The Company has applied translation procedures to new functional currency prospectively since the date of change (i.e. 1 January 2018) as it is established in the article 59.3 of the Rules for Formulation of Consolidated Annual Accounts (NFCAC).

Details regarding to those changes are presented in the following tables:

Balance sheet as at 31 December 2017

	31 December 2017					
	Published PLN thousands	**Adjustment 1** EUR millions	**Adjustment 2** EUR millions	**Adjustment 3** EUR millions	**Adjustment 4** EUR millions	**Restated** EUR millions
Assets						
Intangible assets	351	0.1	-	-	-	0.1
Non-current investment in group companies	1 369 850	328.0	-	(1.9)	13.4	339.5
Other non-current assets	56 119	13.4	-	-	(13.4)	-
Deferred tax assets	1 206	0.3	-	-	-	0.3
Total non-current assets	**1 427 526**	**341.8**	**-**	**(1.9)**	**-**	**339.9**
Trade and other receivables	11 847	2.9	-	-	0.1	3.0
Income tax receivables	601	0.1	-	-	(0.1)	-
Current investments in group companies	-	-	-	-	2.1	2.1
Other current assets	82	-	-	-	-	-
Other financial assets	8 789	2.1	-	-	(2.1)	-
Cash and cash equivalents	102 112	24.4	-	-	-	24.4
Total current assets	**123 431**	**29.5**	**-**	**-**	**-**	**29.5**
TOTAL ASSETS	**1 550 957**	**371.3**	**-**	**(1.9)**	**-**	**369.4**
Capital and Reserves without valuation adjustments						
Share capital	714	0.2	-	-	-	0.2
Share premium	-	-	189.1	-	-	189.1
Reserves	675 731	161.8	(138.5)	(1.9)	-	21.4
Treasury shares	-	-	(10.6)	-	-	(10.6)
Profit for the period	-	-	10.6	-	-	10.6
Other equity instruments	-	-	(8.8)	-	-	(8.8)
Adjustments for changes in value	-	-	(6.8)	-	-	(6.8)
Retained earnings	146 699	35.0	(35.0)	-	-	-
TOTAL EQUITY	**823 144**	**197.0**	**-**	**(1.9)**	**-**	**195.1**
Liabilities						
Non-current provisions	-	-	-	-	2.2	2.2
Deferred tax liabilities	61	-	-	-	-	-
Trade and other payables	9 355	2.2	-	-	(2.2)	-
Non-current financial liabilities	561 029	134.4	-	-	-	134.4
Total non-current liabilities	**570 445**	**136.6**	**-**	**-**	**-**	**136.6**
Current Financial Liabilities	150 820	36.1				36.1
Trade and other payables	6 548	1.6	-	-		1.6
Total current liabilities	**157 368**	**37.7**	**-**	**-**	**-**	**37.7**
TOTAL LIABILITIES	**727 813**	**174.3**	**-**	**-**	**-**	**174.3**
TOTAL EQUITY AND TOTAL LIABILITIES	**1 550 957**	**371.3**	**-**	**(1.9)**	**-**	**369.4**

Adjustment 1 - translated with the exchange rate of ECB PLN/EUR 4.177 and divided by 1000.

Adjustment 2 - effect of the retranslation from PLN as a presentation currency into EUR as a presentation currency based on the historical and average FX rates, as applicable.

Adjustment 3 - effect of conversion from IFRS to Spanish GAAP.

Adjustment 4 - reclassifications for presentation purposes under Spanish GAAP.

Income Statement and Statement of recognised income and expenses for the year ended 31 December 2017

	2017			
	Published PLN thousands	**Adjustment 1** EUR millions	**Adjustment 2** EUR millions	**Restated** EUR millions
General and administrative (G&A) expenses	(12 028)	(2.8)	2.8	-
Other operating costs	(7 738)	(1.8)	1.8	-
Other operating income	35 248	8.3	(8.3)	-
Finance income	45 617	10.7	(10.7)	-
Finance costs	(18 074)	(4.3)	4.3	-
Net profit before tax	**43 025**	**10.1**	(10.1)	**-**
Income tax	1 964	0.5	(0.5)	-
Net profit for the period	**44 989**	**10.6**	**(10.6)**	**-**
Revenues	-	-	**18.6**	**18.6**
Dividends received from subsidiaries			7.3	7.3
Income from the stock option plan			8.1	8.1
Finance income from group companies			3.2	3.2
Personnel Expenses	-	-	(0.5)	(0.5)
Other Operating expenses			(2.2)	(2.2)
Impairments for credits and receivables with group companies			(0.6)	(0.6)
Impairment in investments of groups companies			(1.2)	(1.2)
Results from operating activities	**-**	**-**	**14.1**	**14.1**
Finance Income	-	-	0.2	0.2
Finance Expenses	-	-	(4.3)	(4.3)
Exchange rates gains and losses	-	-	0.1	0.1
Net finance income (expense)	**-**	**-**	**(4.0)**	**(4.0)**
Profit/(loss) before income tax	**-**	**-**	**10.1**	**10.1**
Income tax expense	-	-	**0.5**	**0.5**
Profit/(loss) for the period		**-**	**10.6**	**10.6**
Net profit for the period	**44 989**	**10.6**	**(10.6)**	**-**
Other comprehensive incomes net		-		-
Total comprehensive income	**44 989**	**10.6**	**(10.6)**	**-**
Profit for the period	-		**10.6**	**10.6**
Currency translation adjustment			**10.5**	**10.5**
Total recognised income and expenses for the period	**-**		**21.1**	**21.1**

Adjustment 1 - data translated with the medium exchange rate for the year 2017 PLN/EUR of 4.257 from the ECB and divided by 1000.

Adjustment 2 - conversion from IFRS to Spanish GAAP.

Statement of cash flows for the year ended 31 December 2017

	2017			
	Published PLN thousands	**Adjustment 1** EUR millions	**Adjustment 2** EUR millions	**Restated** EUR millions
Cash flows from operating activities				
Profit before tax	**43 025**	**10.1**	**-**	**10.1**
Adjustments:	**(26 433)**	**(6.2)**	**(6.6)**	**(12.8)**
Amortisation	182	-	-	-
Impairment loss	4 979	1.2	0.6	1.8
Dividends from Subsidiaries	-	-	(7.3)	(7.3)
Share based payment adjustment	(34 601)	(8.1)	-	(8.1)
Finance Income and Expense net	4 261	1.0	(1.0)	-
Finance income	-	-	(3.4)	(3.4)
Finance expenses	-	-	4.3	4.3
Exchange gains/losses	(543)	(0.1)	-	(0.1)
Other	(711)	(0.2)	0.2	-
Changes in operating assets and liabilities	**23 128**	**5.4**	**11.7**	**17.1**
Trade and other receivables	24 284	5.7	11.7	17.4
Other current assets	(3,0)	-	-	-
Trade and other payables	(1 153)	(0.3)	-	(0.3)
Other Cash Flows from Operating Activities	**(24 170)**	**(5.7)**	**14.5**	**8.8**
Interest paid	(5 843)	(1.4)	-	(1.4)
Income tax paid or returned	(485)	(0.1)	-	(0.1)
Interest received	13 053	3.1	-	3.1
Dividends from subsidiaries	(30 895)	(7.3)	14.5	7.2
Net cash provided by operating activities	**15 550**	**3.6**	**19.6**	**23.2**
Cash flows from investing activities				
Increase in investments. loans and borrowings with group companies	(795 970)	(187.0)	-	(187.0)
Dividends received from subsidiaries	30 895	7.3	(7.3)	-
Increase in intangible assets	(434)	(0.1)	-	(0.1)
Proceeds from investment loans and borrowings	438 100	102.9	-	102.9
Net cash used in investing activities	**(327 409)**	**(76.9)**	**(7.3)**	**(84.2)**
Cash flows from financing activities				
Proceeds from own shares disposals (employees options)	56 538	13.3	(12.4)	0.9
Expense on acquisition of treasury shares (employees option)	(79 298)	(18.6)	-	(18.6)
Proceeds on issue debt securities	427 259	100.4	(0.4)	100.0
Commission for issue debt securities	(1 667)	(0.4)	0.4	-
Net cash provided by/ (used in) financing activities	**402 832**	**94.7**	**(12.4)**	**82.3**
Net change in cash and cash equivalents	**90 973**	**21.4**	**(0.1)**	**21.3**
Balance sheet in cash and cash equivalents	**90 973**	**21.4**	**(0.1)**	**21.3**
Cash and cash equivalents. beginning of period	11 139	2.6	(0.1)	2.5
Translations differences	-	-	0.6	0.6
Cash and cash equivalents, end of period	**102 112**	**24.0**	**0.4**	**24.4**

** Data in the Financial Statements as at 31 December 2017 was presented in different order, however amounts have not been changed.*

Adjustment 1 - translated with the exchange rate of ECB PLN/EUR 4.257 and divided by 1000. Balance at the beginning period translated with the exchange rate of ECB PLN/EUR 4.4103 and the balance at the end of the period translated with the exchange rate of ECB PLN/EUR 4.177

Adjustment 2 - reclassifications for presentation purposes under Spanish GAAP.

(all figures in EUR millions unless stated otherwise)

Critical issues regarding the valuation and estimation of relevant uncertainties and judgments used when applying accounting principles.

The preparation of the Annual Account requires the Company to use certain estimates and judgments regarding the future that are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable, under the circumstances.

The estimates and judgments more complex or with a higher impact in the carrying amounts of the assets and liabilities are related to:

The recoverability of the investments, and the corresponding valuation adjustments for the difference between the book value and the recoverable amount. In the determination of the impairment estimate of these investments, the future cash flows expected to be generated by the investees are taken into account through the use of hypotheses based on the existing market conditions.

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

The Company initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred.

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Company uses a finite difference method. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 9.

3. Distribution of profit

The Board of Directors propose the following distribution of profits for the year ended 31 December 2018 and 2017:

	2018	**2017** *(restated)*
Basis of Distribution		
Profit and loss for the period	4 076 128.9	10 568 205.6
Distribution		
Legal Reserve	407 612.9	1 056 820.6
Voluntary Reserves	3 668 516.0	9 511 385.1
	4 076 128.9	**10 568 205.6**

Dividends have not been distributed during the 12 months ended 31 December 2018 and 2017.

(all figures in EUR millions unless stated otherwise)

Details of non-distributable reserves as of 31 December 2018 and 2017 are as follows:

	2018	**2017** *(restated)*
Legal reserves	1.1	-
	1.1	-

The Company's freely distributable reserves are nonetheless subject to the legal limits, and dividends may not be distributed if Equity would be less than share capital as a result.

4. Recognition and measurement accounting policies

4.1. FINANCIAL INSTRUMENTS

4.1.1. CLASSIFICATION AND SEPARATION OF FINANCIAL INSTRUMENTS

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Company classifies financial instruments into different categories based on the nature of the instruments and the Company's intentions on initial recognition.

4.1.2. TRADE AND OTHER NON-TRADE 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 included in current assets, except for maturities greater than 12 months from the balance sheet date that are classified as non-current assets. These financial assets are initially valued at their fair value, including transaction costs that are directly attributable to them, and subsequently at amortised cost, recognising the accrued interest based on their effective interest rate and the discount rate that equals the value in books of the instrument with all its estimated cash flows until maturity. Notwithstanding the foregoing, loans for commercial transactions with maturity not exceeding one year are valued, both at the time of initial recognition and subsequently at their nominal value, provided that the effect of not updating the flows is not significant.

At least at the end of the year the necessary adjustments are made for impairment of value if there is evidence that the amounts owed will not be collected.

The amount of the impairment loss is the difference between the book value of the asset and the present value of the estimated future cash flows discounted at the effective interest rate at the time of initial recognition. The value of adjustments as well as, where appropriate, their reversal is recognised in the profit and loss account.

4.1.3. INVESTMENTS IN THE EQUITY OF GROUP COMPANIES

Group companies are those over which the Company, either directly or indirectly, through subsidiaries exercises control as defined in article 42 of the Spanish Code of Commerce or which the companies are controlled by one or more individuals or entities acting jointly or under the same management through agreements or statutory clauses. Control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. In assessing control, potential voting rights held by the Group or other entities that are exercisable or convertible at the end of each reporting period are considered.

Investments in group companies are valued at their cost, which is equivalent to the fair value of the consideration given, minus, where applicable, the accumulated amount of the adjustments for impairment of value. However, when there is an investment prior to qualification as a group, multi-group or associate company, the carrying amount of the investment is considered as investment cost before having that qualification. The previous valuation adjustments recorded directly in Equity are transferred to the income statement when the investment is disposed or when there is a loss or reversal of the impairment.

If an investment no longer qualifies for classification under this category, it is reclassified as available-for-sale and is measured as such from the reclassification date.

If there is objective evidence that the book value is not recoverable, the appropriate valuation adjustments are made for the difference between their book value and the recoverable amount, defined as the greater amount between their fair value less costs to sell and the value in use of the investment. Unless there is better evidence of the recoverable amount, in estimating the impairment of these investments, the net equity of the investee company is taken into account, adjusted for the capital gains existing on the valuation date. The value adjustment and, if applicable, its reversal is recorded in the profit and loss account for the year in which it occurs.

Value in use is calculated based on the Company's share of the present value of future cash flows expected to be derived from ordinary activities and from the disposal of the asset, or the estimated cash flows expected to be received from the distribution of dividends and the final disposal of the investment.

Nonetheless, and in certain cases, unless better evidence of the recoverable amount of the investment is available, when estimating impairment of these types of assets, the investee's equity is taken into consideration, adjusted, where appropriate, to generally accepted accounting principles and standards in Spain, corrected for any net unrealised gains existing at the measurement date.

The carrying amount of the investment includes any monetary item that is receivable or payable for which settlement is neither planned nor likely to occur in the foreseeable future, excluding trade receivables or trade payables.

4.1.4 NON-MONETARY CONTRIBUTIONS IN EXCHANGE FOR INVESTMENTS IN THE EQUITY OF OTHER GROUP COMPANIES

The equity instruments received in exchange of non-monetary contributions of investments in group companies, are valued at the book value of the assets delivered in the individual annual accounts of the contributor, on the date the transaction is carried out, or at the amount representative of the equity percentage of the business contributed, if this is greater.

4.1.5. FINANCIAL ASSETS AVAILABLE-FOR-SALE

The company classify Financial Investments in equity instruments that intends to hold for an unspecified period and that do not comply with the requirements to be classified in other categories of financial assets as financial assets available-for-sale. These investments are recorded under "Non-current assets," unless it is probable and feasible that they will be sold within 12 months.

They are initially measured at fair value; which in the absence of evidence to the contrary is the transaction price plus directly attributable transaction cost.

Financial assets available-for-sale are subsequently measured at fair value, without deducting any transaction costs incurred on disposal. Changes in fair value are accounted for directly in equity until the financial asset is derecognised or impaired, and subsequently recognized in the income statement.

4.1.6. INTEREST AND DIVIDENDS FROM FINANCIAL ASSETS

Interest and dividends accrued on financial assets after acquisition shall be recognised as revenue. Interest shall be accounted for using the effective interest rate method, while dividends shall be recognised when the equity holder's right to receive payment is established.

Upon initial measurement of financial assets, accrued explicit interest receivable at the measurement date shall be recognised separately, based on maturity. Dividends declared by the pertinent body at the acquisition date shall also be accounted for separately. "Explicit interest" is the interest obtained by applying the financial instrument's contractual interest rate.

If distributed dividends are clearly derived from profits generated prior to the acquisition date because the amounts that have been distributed are higher than the profits generated by the investment since acquisition, the difference shall be accounted for as a deduction in the carrying amount of the investment and shall not be recognised as income.

4.1.7. DEBT AND TRADE AND OTHER PAYABLES

Financial liabilities included in this category shall initially be measured at fair value. In the absence of evidence to the contrary, this shall be the transaction price, which is equivalent to the fair value of the consideration received, adjusted for directly attributable transaction costs. Nonetheless, trade payables falling due within one year for which there is no contractual interest rate and called-up equity holdings expected to be settled in the short term can be measured at their nominal amount provided that the effect of not discounting the cash flows is immaterial.

The financial liabilities included in this category shall subsequently be measured at amortised cost. Accrued interest shall be recognised in the income statement using the effective interest rate method.

Payables falling due within one year initially measured at the nominal amount, in accordance with the preceding section, shall continue to be measured at that amount.

4.1.8. OWN EQUITY INSTRUMENTS

In transactions carried out by the Company with its own equity instruments, the amount of these instruments shall be recognised in equity as a change in capital and reserves without valuation adjustments. Under no circumstances may it be accounted for as a financial asset of the Company and no profit or loss may be recognised in the income statement. Expenses arising on these transactions, including costs incurred on issuing the instruments such as lawyer, notary and registrar fees, printing of prospectuses, bulletins and securities, taxes, advertising, commissions and other placement expenses – shall be accounted for directly in equity as a reduction in reserves.

4.1.9. OFFSETTING PRINCIPLES

A financial asset and a financial liability are offset only when the Company currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.1.10. DERECOGNITION OF FINANCIAL ASSETS

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Debt or equity instruments that form part of portfolios of similar instruments that have the same rights are measured and derecognised at weighted average cost.

4.2. CASH AND CASH AND EQUIVALENTS

Cash and cash equivalents include cash in hand and sight bank deposits in credit institutions. Under this heading are also included under other highly liquid short-term investments provided that are easily convertible into cash and are subject to an insignificant risk of changes in value. For this purpose, investments with maturities of less than three months from the date of acquisition are included.

The Company recognises cash payments and receipts for financial assets and financial liabilities in which turnover is quick on a net basis in the statement of cash flows. Turnover is considered to be quick when the period between the date of acquisition and maturity does not exceed six months.

In the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognised in the balance sheet as financial liabilities arising from loans and borrowings.

4.3. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions have been translated to the functional currency using the spot exchange rate applicable at the transaction date.

Monetary assets and liabilities denominated in foreign currencies have been translated to the functional currency at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date.

Non-monetary assets measured at fair value have been translated to the functional currency at the spot exchange rate at the date that the fair value was determined.

In the statement of cash flows, cash flows from foreign currency transactions have been translated to Euros at the average exchange rate for the year.

The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognized separately in the statement of cash flows as effect of exchange rate fluctuations.

Exchange gains and losses arising on the settlement of foreign currency transactions and on translation to the functional currency of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

4.4. INCOME TAX

The income tax comprises the current income tax and the income deferred tax.

Current and deferred tax are recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

Current tax assets and liabilities are valued for the amounts that are expected to be paid or recovered by the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

The Company as the representative of the tax group, and the Spanish subsidiaries file consolidated tax return (see note 11).

In addition to the factors to be considered for individual taxation, set out previously, the following factors are taken into account when determining the accrued income tax expense for the companies forming the consolidated tax group:

- Temporary and permanent differences arising from the elimination of profits and losses on transactions between Group companies, derived from the process of determining consolidated taxable income.
- Deductions and credits corresponding to each company forming the consolidated tax group. For these purposes, deductions and credits are allocated to the company that carried out the activity or obtained the profit necessary to obtain the right to the deduction or tax credit.

Temporary differences arising from the elimination of profits and losses on transactions between tax group companies are allocated to the company which recognised the profit/loss and are valued using the tax rate of that company.

A reciprocal credit and debit arises between the companies that contribute tax losses to the consolidated Group and the rest of the companies that offset those losses. Where a tax loss cannot be offset by the other consolidated group companies, these tax credits for loss carryforwards are recognised as deferred tax assets using the applicable recognition criteria, considering the tax group as a taxable entity.

The Company records the total consolidated income tax payable (recoverable) with a debit (credit) to receivables (payables) from/to group companies and associates.

The amount of the debt (credit) relating to the subsidiaries is recognised with a credit (debit) to payables (receivables) to/from group companies and associates.

Deferred tax liabilities are calculated according to the liability method, on the temporary differences that arise between the tax bases of the assets and liabilities and their book values. However, if the deferred tax liabilities arise from the initial recognition of a goodwill or an asset or a liability in a transaction other than a business combination that at the time of the transaction does not affect either the accounting result or the taxable basis of the tax, they are not recognised.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available to offset the temporary differences. Deferred tax assets are recognised on temporary differences that arise in investments in subsidiaries, associates and joint ventures, except in those cases in which the Company can control the timing of the reversal of the temporary differences and it is also probable that these will not reverse in a foreseeable future.

The deferred tax assets and liabilities are determined by applying the regulations and tax rates approved or about to be approved on the date of the balance sheet and which is expected to be applied when the corresponding deferred tax asset is realized, or the deferred tax liability is settled.

4.5. REVENUES RECOGNITION

The amounts related to income derived from equity investments in group companies are an integral part of the net amount of the turnover of a holding company. Based on the provisions of consultation B79C02 of the Institute of Auditors and Censors of September 2009, therefore the result on the execution of stock option plan by employees, interest and dividends received from subsidiaries are presented in the revenue of the Company.

4.6. PROVISIONS AND CONTINGENCIES

Provisions are recognised when the Company has a present obligation, whether legal, contractual implicit or tacit, as a result of past events, and it is probable that an outflow of resources will be necessary to settle the obligation and the amount can be estimated reliably. Restructuring provisions include penalties for cancellation of the lease and payments for dismissal to employees. No provisions are recognised for future operating losses.

Provisions are valued at the present value of the disbursements that are expected to be necessary to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the obligation. The adjustments in the provision due to its update are recognised as a financial expense as they are accrued.

Provisions with maturity less than or equal to one year, with a non-significant financial effect, are not discounted.

When it is expected that part of the disbursement necessary to settle the provision is reimbursed by a third party, the reimbursement is recognised as an independent asset, provided that its reception is practically certain. The reimbursement is recognised as income in the income statement of the nature of the expenditure up to the amount of the provision.

On the other hand, contingent liabilities are those possible obligations arising because of past events, the materialization of which is conditional on the occurrence or non-occurrence of one or more future events independent of the Company's will.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed.

4.7. SHARE BASE PAYMENTS TRANSACTION

The fair value of work performed by the employees for a consideration payable in options increases costs. The total amount which must 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 recognised 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 recognised 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.

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 recognised 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.

In the parent company books the operation represents a contribution to the subsidiary that is made effective through the personnel service it receives in exchange for the equity instruments of the parent company the options delivered represents in general a greater value of the investment that the parent company has in the equity of the subsidiary.

When there is compensation agreement or recharge from the parent to subsidiary this operation represents a separated corporate operation of distribution/recuperation of the investment instrumented through the share base payment plan.

4.8. TRANSACTIONS BETWEEN RELATED PARTIES

In general, transactions between group companies are initially accounted for at their fair value. If the agreed price differs from its fair value, the difference is recorded according to the economic reality of the operation. The subsequent evaluation is carried out in accordance with the provisions of the corresponding regulations.

The Company carries out all its operations with Group companies, entities and parties linked to market values. In addition, the transfer prices are adequately supported, which is why the Company's Board of Directors consider that there are no significant risks in this respect from which future liabilities could arise.

5. Financial Risk Management

5.1. FINANCIAL RISK FACTORS

The Company's activities are exposed to various financial risks. The Company's global risk management program focuses on the uncertainty of the financial markets and tries to minimize the potential adverse effects on its financial profitability.

- Currency risk:

The results of the company are exposed to currency risk related to transactions and translations into currencies other than Euro (Polish Zloty (PLN) and US Dollar (USD), mostly). The exposure to foreign currency cash flow risk is not hedged as there is no significant impact on cash flows.

- Risk of increased financial costs:

The Company is exposed to a certain extent to adverse impact of interest rate fluctuations in connection with obtaining financing which bears floating interest rates and investing in assets bearing floating interest rates. The interest rates of bank loans and borrowings and issued bonds are based on a combination of fixed and floating reference rates which are updated over periods shorter than one year. Additionally, the Company 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.

- Liquidity risk

The Company is exposed to the risk of lack of financing at the moment of maturity of bank loans and bonds. The Company's approach in managing liquidity risk is to guarantee as far as possible that liquidity will always be available to pay its debts before they mature, in normal conditions and during financial difficulties, without incurring unacceptable losses or compromising the Company's reputation. As at 31 December 2018, the company had enough short-term assets, including cash and promised credit limits, to fulfil is liabilities due in the next 12 months.

-Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions and balances with the Group, including pending receivables and committed transactions.

In general, the Company maintains its treasury and equivalent liquid assets in financial entities with a high credit rating and of recognized prestige.

(all figures in EUR millions unless stated otherwise)

6. Financial instruments

6.1. GROUP EQUITY INSTRUMENTS

The value of the shares owned by the Company in its subsidiaries as at 31 December 2018 and as at 31 December 2017is as follow:

	31 December 2018		31 December 2017 *(restated)*	
	Interest ownership	Value of Shares	Interest ownership	Value of Shares
AmRest Sp. z o.o. (Poland)	100%	216.4	100%	213.6
AmRest s.r.o. (Czech Republic)	100%	7.2	100%	6.6
AmRest Acquisition Subsidiary (Malta)	100%	60.8	100%	35.4
AmRest EOOD (Bulgaria)	100%	3.4	100%	3.4
AmRest OPCO SAS	-	-	100%	10.7
AmRest Topco SAS	-	-	100%	12.9
AmRest France SAS (France)	100%	58.1	-	-
Restaurant Partner Polska Sp. z.o.o.	51%	5.5	51%	3.2
AmRest China Group PTE Ltd. (China)	100%	40.3	100%	40.3
AmRest Coffee SRB d.o.o. (Serbia)	100%	-	100%	-
		391.7		**326.1**

The movement of the equity instruments in group companies as at 31 December 2018 and as at 31 December 2017 is as follows:

	31 December 2017 *(restated)*	Increase	Decrease	31 December 2018
Cost				
AmRest Sp. zo.o. (Poland)	213.6	2.8	-	216.4
AmRest HK Ltd	5.2	-	-	5.2
AmRest China Group PTE Ltd. (China)	40.3	-	-	40.3
Amrest SRO (Czechia)	6.6	0.6	-	7.2
AmRest OPCO SAS	15.2	30.0	(45.2)	-
AmRest Topco SAS	12.9	-	(12.9)	-
AmRest France SAS	-	58.1	-	58.1
Restaurant Partner Polska Sp. z.o.o.	4.3	1.6	-	5.9
AmRest EOOD (Bulgaria)	3.4	-	-	3.4
AmRest Acquisition Subsidiary (Malta)	35.4	25.4	-	60.8
AmRest FSVC LLC	2.7	1	-	3.7
	339.6	**119.5**	**(58.1)**	**401.0**
Call up Capital				
Restaurant Partner Polska Sp. z.o.o.	**(1.1)**	1.1	(0.4)	(0.4)
AmRest OPCO SAS	**(4.5)**	4.5	-	-
	(5.6)	**5.6**	**(0.4)**	**(0,4)**
Impairment				
AmRest HK Ltd	(5.2)	-	-	(5.2)
AmRest FSVC LLC	(2.7)	(1.0)	-	(3.7)
	(7.9)	**(1.0)**	**-**	**(8.9)**
Total Equity instruments in Group companies	**326.1**	**124.1**	**(58.5)**	**391.7**

During the year 2018 the company made the following transactions:

- On 6 June 2018 the Company passed a resolution of capital increase in Restaurant Partners Polska Sp. z o.o. by PLN 7.0 million (EUR 1.6 million) of which PLN 4.0 million (EUR 0.9 million) were paid in June 2018 and PLN 1.5 million (EUR 0.35 million) in October 2018. The remaining PLN 1.5 PLN million (EUR 0.35 million) have not been paid yet.

-On 23 October 2018 and 20 November 2018, the Company passed resolutions of share capital increase in AmRest Adquisition Subisidiary by EUR 23.0 million and EUR 2.4 million respectively, which were fully paid in cash.

-On 19 November 2018 the Company passed a resolution of share capital increase in AmRest Opco SAS in amount of EUR 30.0 million which has been fully paid as at 31 December 2018.

- On 13 December 2018 AmRest Holdings SE executed the contribution of shares of AmRest Opco and AmRest Topco in the newly incorporated company AmRest France SAS. The contribution was made at the net book value of the investment in the subsidiaries as of the date of the signature of the transfer of shares.

-The value of investment in AmRest Sp. z o.o. and AmRest SRO was increased by capitalised costs of the share option plan (share options granted to the employees of the subsidiaries) by EUR 2.8 million and EUR 0.6 million, respectively.

-During the year 2018 the company passed several capital increases resolutions in the entity AmRest FSVC LLC up to an amount of EUR 1.0 million. The total amount of these capital increases were impaired as at 31 December 2018.

The movement of the equity instruments in group companies as at 31 December 2017 and as at 31 December 2016 is as follows:

	31 December 2016 *(restated)*	**Increase**	**FX**	**31 December 2017** *(restated)*
Cost				
AmRest Sp. zo.o. (Poland)	133.0	70.9	9.2	213.1
AmRest HK Ltd	4.9	-	0.3	5.2
AmRest China Group PTE Ltd. (China)	23.2	15.4	1.7	40.3
Amrest SRO (Czechia)	6.2	0.5	0.4	7.1
AmRest OPCO SAS	-	15.0	0.2	15.2
AmRest Topco SAS	-	12.7	0.2	12.9
Restaurant Partner Polska Sp. z.o.o.	-	4.1	0.2	4.3
AmRest EOOD (Bulgaria)	3.2	-	0.2	3.4
AmRest Acquisition Subsidiary (Malta)	33.2	0.2	2.0	35.4
AmRest FSVC LLC	2.5	-	0.2	2.7
	206.2	**118.8**	**14.6**	**339.6**
Call up Capital	-	-	-	
Restaurant Partner Polska Sp. z.o.o.	-	(1.1)	-	(1.1)
AmRest OPCO SAS	-	(4.4)	(0.1)	(4.5)
	-	**(5.5)**	**(0.1)**	**(5.6)**
Impairment				
AmRest HK Ltd	(4.9)	-	(0.3)	(5.2)
AmRest FSVC LLC	(2.5)	-	(0.2)	(2.7)
	(7.4)	**-**	**(0.5)**	**(7.9)**
Total Equity instruments in group companies	**198.8**	**113.3**	**14.1**	**326.1**

During the year 2017 the company made the following transactions:

- On 17 February 2017, the Company purchase 32.44% of shares of Blue Horizon Hospitality PTE LTD from Blue Horizon Hospitality Group LTD, Macau Jiu Jia Partners LP and Wintrust New Zealand Limited for approximately EUR 15.4 million. After this transaction and from that date, AmRest Holdings SE became the sole owner of the company. On 6 April 2017 Blue Horizon Hospitality PT LTD was renamed AmRest China Group PTE Ltd.

-On 18 August 2017 the Company passed a resolution of share capital increase in AmRest Acquisition Subsidiary in amount of EUR 0.2 million.

-On 31 August 2017 the Company purchase 51% of shares of Restaurants Partner Polska Sp z o.o. from Deliver Hero GmbH for approximately EUR 3.0 million.

-On 29 November 2017 the Company passed a resolution of share capital increase in Restaurant Partners Polska Sp. z o.o. by PLN 12.0 million (EUR 3.0 million) to the total amount PLN 24.0 million (EUR 5.7 million). As the result of agreement, the Company acquired 122 400 shares with a nominal value PLN 50 for each, so the total nominal value is PLN 6.1 million (EUR 1.5 million). As of 31 December 2017, there were subscribed but pending to pay a total of PLN 4.5 million (EUR 1.1 million). This amount was fully paid on 21 January 2018.

-On 4 October 2017 the Company passed a resolution of share capital increase in AmRest Opco SAS in amount of EUR 15.0 million. As of 31 December 2017, there were subscribed but pending to pay a total of EUR 4.5 million from which EUR 3.0 million were paid on 21 May 2018 and EUR 1.5 million in September 2018

-On 15 December 2017, the Company passed a resolution of share capital increase in AmRest Sp. z o.o. in the amount of 300 million PLN (EUR 70.4 million).

-The value of investment in AmRest Sp. z o.o. and AmRest SRO was increased by capitalised costs of the share option plan (share options granted to the employees of the subsidiaries) by EUR 0.5 million and EUR 0.5 million, respectively.

Impairment test of Investment in group companies:

To estimate the potential impairment of the Company's investments in group companies and associates and given that the fair value of these investments is not traded in an active market, this is determined using valuation techniques. The Company uses judgment to select a variety of methods and make assumptions that are based primarily on market conditions existing at the balance sheet date.

The company considers that there are indications of impairment in its investees if the net book value of the investment exceeds the theoretical book value of the equity of the investee. Additionally, other considerations are considered, such as decreases in the activity of the investees or other situations that could indicate signs of deterioration in the companies.

-Expected increase in operating income excluding amortization expenses: The growth in operating income excluding amortization expenses is based on the projections estimated by the Management based on the evolutions estimated in the various strategic business plans for the next five years.

- Discount rates: Discount rates reflect the evolution of the market with respect to the specific risks of each cash-generating unit, considering the time value of money. The discount rate is based on the specific circumstances of the company and its operating segments and is a consequence of its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of net worth is based on the expected return on investments made by the investors of the Company. On the other hand, the cost of the debt is based on the interest rates of the loans that the Company is obliged to repay. The specific risk of the segment is incorporated by applying individual beta factors, which are evaluated annually based on market data.

(all figures in EUR millions unless stated otherwise)

Discounts rates applied in the table below:

	The post-tax discount rate year 2018	The post-tax discount rate year 2017
Poland	7.19%	N/A
Russia	14.97%	N/A
Bulgaria	6.25%	6.74%
France	4.82%	N/A
China	7.55%	8.61%

The company prepared impairment testing for its investments in AmRest Subsidiary (Malta and owner of Russian business), AmRest EOOD (Bulgaria), Restaurant Partner Polska Sp. z.o.o (Poland), AmRest France SAS and AmRest China PTE Ltd.

There were no conditions for testing of investments in other companies.

The Weighted budgeted average EBITDA Margin used in the impairment test was as follow:

Weighted average budgeted EBITDA margin	2018	2017
Russia	14.6%	N/A
Poland – Pizza Portal	15.6%	N/A
China	12.2%	11.69%
Bulgaria	14.5%	11.3%
France – KFC	10.8%	N/A

The test resulted in non-impairment expense to be booked. The Company registered impairment of the total amount of its investments in AmRest HK and AmRest FSVC LLC because of negative cash flows generated by both entities.

(all figures in EUR millions unless stated otherwise)

The Details of the subsidiaries of the group are presented below:

Company name	% Ownership		2018				2017			
	Direct	Indirect	Equity	Dividends	Revenue	Net profit/(loss)	Equity	Dividends	Revenue	Net profit/(loss)
Direct subsidiaries										
AmRest Sp. z o.o.	100.0%		361.0	-	382.2	12.8	348.9	-	346.1	6.6
AmRest EOOD	100.0%		2.8	-	4.7	0.1	2.7	-	4.4	0.8
AmRest s.r.o.	100.0%		20.2	(8.4)	143.2	14.8	14.4	(7.3)	117.1	10.2
AmRest HK Ltd	100.0%		(0.2)	-	0.0	(0.2)	(0.4)	-	-	-
AmRest China Group PTE Ltd*	100.0%		30.4	-	73.6	0.7	30.6	-	62.3	-0.7
AmRest France SAS*	100.0%		58.1	-	125.2	(1.0)	22.6	-	21.9	0.3
AmRest FSVC LLC	100.0%		(2.0)	-	-	(2.2)	(0.7)	-	-	(1.9)
Restaurant Partner Polska Sp. z o.o.	51.0%		2.0	-	3.3	(5.4)	2.3	-	0.8	(2.5)
AmRest Acquisition Subsidiary Ltd.	100.0%		72.5	-	-	(0.2)	(0.1)	-	-	(0.1)
AmRest Coffee SRB d.o.o.	100.0%		-	-	-	-	-	-	-	-
Indirect subsidiaries										
AmRest TAG S.L.U.*		100.0%	156.3	-	253.2	23.1	136.1	-	224.9	20.0
Sushi Shop Group SAS *		100.0%	153.5	-	24.3	(0.4)	-	-	-	-
AmRest Kft		100.0%	42.0	-	76.7	5.3	33.0	-	59.7	3.9
AmRest Coffee Sp. z o.o.		82.0%	9.8	-	27.2	(3.2)	13.4	-	24.1	(1.3)
OOO AmRest		100.0%	53.4	-	137.4	4.0	33.2	-	134.9	3.4
AmRest Coffee s.r.o.		100.0%	16.3	-	26.4	3.1	13.2	-	21.9	2.7
AmRest Kávézó Kft		82.0%	4.4	-	13.0	0.4	4.3	-	10.9	0.6
AmRest Coffee EOOD		100.0%	2.6	-	3.8	0.1	0.8	-	2.4	0.0
AmRest Coffee S.r.l.		100.0%	18.2	-	26.1	2.1	17.8	-	22.0	2.6
OOO Chicken Yug		100.0%	23.7	-	27.8	2.6	24.9	-	7.5	0.7
OOO Pizza Company		100.0%	2.9	-	3.6	(0.2)	0.0	-	-	-
AmRest Coffee Deutschland Sp. z o.o. & Co. KG		100.0%	50.2	-	123.6	(3.8)	54.0	-	124.8	(5.9)
AmRest DE Sp. z o.o. & Co. KG		100.0%	(2.8)	-	42.3	(4.3)	1.5	-	29.4	(1.4)
SCM Sp. z o.o.		51.0%	2.7	-	11.9	1.6	2.9	-	11.7	1.4
AmRest Capital Zrt		100.0%	262.1	-	0.0	4.1	245.2	-	0.0	8.0
Other minor subsidiaries, in total			15.2	-	18.5	(3.4)	12.5	-	11.7	(1.6)

Above data were derived from consolidation documentation of AmRest Group in accordance with IFRS. Input data above do not include effect of consolidation eliminations of investments in subsidiaries, as well effect of elimination of any inter-company transactions. If needed, input data were translated from functional currency of the subsidiary or subgroup to EUR using applicable exchange rates of EBC

*Consolidated data

6.2 ASSETS AND LIABILITIES IN FOREIGN CURRENCIES:

The value of assets and liabilities denominated in foreign currency as at 31 December 2018 are presented below:

Millions of EUR	2018 Denominated in PLN	 Denominated in USD
Assets Foreign Currency		
Total non-current assets Foreign Currency	-	10.0
Total current assets Foreign Currency	1.6	1.3
Total assets Foreign Currency	**1.6**	**11.3**
Liabilities Foreign Currency		
Total non-current liabilities Foreign Currency	280.0	-
Total current liabilities Foreign Currency	0.3	-
Total liabilities Foreign Currency	**280.3**	-

The value of assets and liabilities denominated in foreign currency as at 31 December 2017 are presented below:

Millions of EUR	2017 Denominated in EUR	 Denominated in USD
Assets Foreign Currency		
Total non-current assets Foreign Currency	10.9	3.0
Total current assets Foreign Currency	2.3	3.9
Total assets Foreign Currency	**13.2**	**6.9**
Liabilities Foreign Currency		
Total non-current liabilities Foreign Currency	101.0	-
Total current liabilities Foreign Currency	2.1	-
Total liabilities Foreign Currency	**103.1**	-

6.3. CURRENT AND NON-CURRENT FINANCIAL INVESTMENTS (EXCLUDING GROUP EQUITY INVESTMENTS)

The net book value of each one of the categories of financial instruments established in the registration and valuation rule for “Financial Instruments”, except for investments in the equity of group, is as follows:

(all figures in EUR millions unless stated otherwise)

Financial Assets

Classes	Non-current Financial assets Other credits and derivatives		Current Financial assets Other credits and derivatives	
Categories	**2018**	**2017** *(restated)*	**2018**	**2017** *(restated)*
Loans to group companies	199.7	13.4	4.6	2.1
Other financial assets with group companies	-	-	1.4	-
Trade and other receivables	-	-	1.5	3.0
Available-for-sale financial assets at fair value	26.9	-	-	-
Total	**226.6**	**13.4**	**7.5**	**5.1**

The company grants loans to group companies at variable interest rates in the range of 2,3%-4,5% plus 3M Euribor/Libor margin, with maturities starting in 2021 (see note 6.7).

Available-for-sale financial assets

Available-for-sale financial assets comprise the equity investment in Glovoapp23, S.L., based in Barcelona, Spain ("Glovo"), acquired on 18 July 2018. Based on the agreements signed, AmRest acquired a tranche of newly-issued shares in Glovo and purchased a portion of existing shares from certain shareholders of Glovo. As a result of the investment, which totaled EUR 25 million, AmRest became a co-lead investor holding Glovo shares giving it a 10% stake at shareholders' meetings. As there are some dilutive instruments such as employee options and phantom shares, for the purpose of the fair valuation exercise, a diluted stake of 8.15% was used (percentage of Glovo shares on a fully-diluted basis value.

During the year, the gain in the amount of EUR 1.9 million was recognised in Equity in the item "Adjustments for change in value".

6.4 TRADE AND OTHER RECEIVABLES

As at 31 December 2018 and 31 December 2017 the trade and other receivables were composed as follows:

	2018	**2017** *(restated)*
Trade and other receivables with third parties	0.2	0.1
Trade and other receivables with group companies	1.3	2.8
Income tax and other credits with the tax administration	-	0.1
Total Trade and other receivables	**1.5**	**3.0**

6.5 FINANCIAL LIABILITES

Classes	Non-current Financial liabilities			
	Bonds and other marketable securities		Other Financial Liabilities	
Categories	2018	2017 *(restated)*	2018	2017 *(restated)*
Other Debts and payables	-	33.4	101.0	101.0
Debts with Financial Institutions	-	-	254.3	-
Debtis wiht group companies	-	-	17.7	-
Total	**-**	**33.4**	**373.0**	**101.0**

Classes	Current Financial liablities			
	Bonds and other marketable securities		Other Financial Liabilities	
Categories	2018	2017 *(restated)*	2018	2017 *(restated)*
Other Debts and payables	-	34.8	1.3	1.3
Debts with group companies			0.6	
Trade and Other payables			4.5	1.6
Total			**6.4**	**2.9**

On 2 July 2018 AmRest Holdings redeemed at maturity bonds issued in June 2013 for PLN 140 million (EUR 34.8 million) and on 28 September 2018 the Company used the call option for early redemption of bonds issued in Sept 2014 for PLN 140 million (EUR 33.4 million). Redemption of bonds resulted in expiry of all rights and obligations arising from them and was financed with Tranche E of bank financing.

In April 2017 AmRest entered the Schuldscheinedarlehen ("SSD" – debt instrument under German law) market for the first time to diversify financing sources and interest rate structure of debt and has executed several issues since then.The role of the Lead Arranger and Paying Agent on all issues was entrusted to Erste Group Bank AG.

The table below presents all SSD issues and their maturities:

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

As at 31 December 2018 the debt amounts to EUR 101.0 million and its corresponding interest amounting to EUR 1.3 million that are presented in the current liabilities.

As at 31 December 2018 syndicated bank financing secured in 2017, with further amendments, accounts for majority of AmRest debt. The details of bank financing are as follows:

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

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

** Approximate total amount: EUR 692m*

- Tranches E and F were executed directly by AmRest Holdings and are presented in the financial debt with financial institutions of this Annual Accounts (amounting to EUR 254.3 millions) the rest of the tranches are excuted from AmRest Sp z.oo and AmRest S.R.O.
- Interest rates: Approximately half of the available facility is provided at variable interest rates (3M Euribor/Wibor/Pribor increased by margin) and parts of tranches A and F are provided on fixed rate
- Securities: submissions to execution from the Borrowers, guarantees from Group companies
- Other information: AmRest is required to maintain certain ratios at agreed levels, in particular, net debt/EBITDA is to be held below 3.5 and EBITDA/interest charge is to stay above 3.5.

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

On 30 July 2018 was signed a Loan Agreement between AmRest sp.zoo and AmRest Holdings SE with a maximum amount of EUR 15 million. Subsequently, it was agreed that the maximum amount would be of EUR 25 million. 50% of the loan will be repaid on August 2022 and the other 50% on August 2023. As at 31 December 2018 the debt amounts to EUR 17.7 million (EUR 21,5 million were drawdown during the year from which EUR 3,8 were repaid).

6.6 TRADE AND OTHER PAYABLES

As at 31 December 2018 and 31 December 2017 the trade and other payables were composed as follows:

	2018	2017 *(restated)*
Trade and other payables with third parities	0.9	0.6
Trade and other payables with group companies	1.7	0.9
Remunerations of the board of Directors	0.1	0.1
Income tax payable	1.5	-
Other payables with tax administration	0.3	-
Total trade and other payables	**4.5**	**1.6**

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

	2018	2017
Number of days:	**28**	**37**
Ratio of payments	31	38
Ratio of outstanding invoices	19	2
Millions of EUR:		
Total payments	3.5	1.1
Outstanding invoices	1.2	0.1

6.7 ANALYSIS BY MATURITIES

As at 31 December 2018, and 2017, the amounts of financial instruments with a determined or determinable maturity classified by year of maturity are the following:

Financial Assets

2018	2019	2020	2021	2022	Following years	Total
Loans to group companies	4.6	-	6.8	95.6	97.3	**204.3**
Trade and other receivables	1.5	-	-	-	-	**1.5**
Other financial assets with group companies	1.4	-	-	-	-	**1.4**
Total	**7.5**	**-**	**6.8**	**95.6**	**97.3**	**207.2**

Financial Assets

2017	2018	2019	2020	2021	Following years	Total
Loans to group companies	2.1	2.1	2.9	5.4	3.0	**15.5**
Trade and other receivables	3.0	-	-	-	-	**3.0**
Total	**5.1**	**2.1**	**2.9**	**5.4**	**3.0**	**18.5**

(all figures in EUR millions unless stated otherwise)

2018	Financial Liabilities					
	2019	2020	2021	2022	Following years	Total
Other Debts and payables	1.3	-	-	62.5	38.5	**102.3**
Debts with Financial Institutions	-	25.1	25.1	204.1	-	**254.3**
Debts wiht group companies	0.6	17.7	-	-	-	**18.3**
Trade and Other payables	4.5	-	-	-	-	**4.5**
Total	**6.4**	**42.8**	**25.1**	**266.6**	**38.5**	**379.4**

2017	Financial Liabilities					
	2018	2019	2020	2021	Following years	Total
Other Debts and payables	36.1	33.4	-	-	101.0	**170.5**
Trade and Other payables	1.6	-	-	-	-	**1.6**
Total	**37.7**	**33.4**	**-**	**-**	**101.0**	**172.1**

7.Cash and cash and equivalents

Cash and cash equivalents as at 31 December 2018 and 31 December 2017 are presented in the table below:

	2018	**2017** (*restated*)
Cash at bank	22.9	24.4
	22.9	**24.4**

8. Equity

8.1. SHARE CAPITAL

Since 27 April 2005, the shares of AmRest Holdings SE were listed on the Warsaw Stock Exchange ("WSE"). On 6 June 2018 at the Annual General Shareholders Meeting it was agreed that AmRest Holdings SE be allowed to start a process of application for stock market listing of its shares on the Spanish Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia. The referred shares were listed and trading commenced on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges on 21 November 2018. Since that date, AmRest's shares have been quoted simultaneously on both the above stock exchanges (dual listing).

At the Annual General Shareholders Meeting held on 6 June 2018 it was approved to increase the share capital up to EUR 1.0 for each share. The total increase amounted to EUR 21 001 754.07, was exercised by offsetting the share premium reserve. The capital increase was registered on 20 September 2018 at the Commercial Registry (Registro Mercantil) in Madrid.

At the Annual General Shareholders Meeting held on 6 June 2018 it was also approved to perform a share split by reducing the nominal value of the Company's shares from EUR 1.0 to EUR 0.1 each without any impact on the total share capital. The decrease in share value was approved to be done by dividing the number of outstanding shares - for each old share 10 new were declared (split). On 20 September 2018 the reduction of the nominal value of shares from 1 EUR to 0.1 EUR with an exchange ratio of 1:10 without any change in share capital was registered at the Commercial Registry (Registro Mercantil) in Madrid.

On 27 September 2018 Krajowy Depozyt Papierów Wartościowych (KDPW) (the Central Securities Depository of Poland) passed a resolution to register at KDPW the reduction of the nominal value of the shares from 1 EUR to 0.1 EUR by dividing the total number of AmRest shares (split) in a ratio of 1:10. On 3 October 2018 the share split was executed. As result, the total number of Company shares traded increased to 212 138 930, each with a nominal value of 0.1 EUR as at that date.

On 11 October 2018 AmRest announced that the Board of Directors of the Company has resolved to carry out a share capital increase excluding pre-emption rights in an effective amount (including nominal amount and share issue premium) of EUR 70 million. The effective date of the share capital increase is 15 October 2018, when all funds were received, and the deed granted before a public notary. Under the share capital increase, the Company issued 7 415 253 new shares, of the same class and series as the Company's outstanding shares.

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

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

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

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

As at 31 December 2017 the Company had no availability to issue new shares to settle employee option plans. Settlements of the employee options plans are available through treasury stocks in a secondary market or in cash.

On 6 June 2018, the shareholders at the Annual General Meeting adopted resolution no 13 authorizing the Board of Directors of the Company to increase share capital in compliance with the provisions of article 297.1.b) of the Spanish Companies Act, within a period of no more than five years, with the power to exclude the pre-emption rights on subscription in the terms of article 506 of the Companies Act, up to a maximum amount of the equivalent of 20% of the share capital at the time the increase is authorized. Increases in share capital under this authorization shall be carried out through the issuance and quotation of new shares (with or without a premium), the consideration for which shall be cash contributions. In each increase, the Board of Directors shall decide whether the new shares to be issued are ordinary, preferred, redeemable, non-voting or any other kind of shares among those permitted by law. Furthermore, as for all matters not otherwise contemplated, the Board of Directors may establish the terms and conditions of the share capital increases and the characteristics of the shares and may also freely offer the new shares that are not subscribed within the period or periods for the exercise of pre-emption rights.

To the best of AmRest's knowledge, as at 31 December 2018 AmRest Holdings had the following shareholder structure:

(all figures in EUR millions unless stated otherwise)

Shareholder	Number of shares and votes at the Shareholders' meeting	% of shares and votes at the Shareholders' meeting
FCapital Dutch B. V.*	123 777 447	56.38%
Gosha Holding S.à.r.l**	23 426 313	10.67%
Nationale-Nederlanden OFE	10 718 700	4.88%
Artal International S.C.A.	10 500 000	4.78%
Aviva OFE	7 013 700	3.19%
Other Shareholders	44 118 023	20.10%

** FCapital Dutch B. V. is the majority shareholder of FCapital Lux (holding directly 56 509 547 AmRest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finacces SAPI de CV is the direct majority shareholder of Finaccess Capital, S.A. de C.V. and a subsidiary of Grupo Far-Luca, S.A. de C.V. The direct majority shareholder of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González, is a member of AmRest's Board of Directors.*
*** Gosha Holding S.à.r.l. is a legal entity closely associated with Mr. Henry McGovern and Mr. Steven Kent Winegar, members of AmRest's Board of Directors.*

8.2. RESERVES

The composition of reserves as at 31 December 2018 and 31 December 2017 is as follows:

	2018	2017 *(restated)*
Voluntary Reserves	29.9	**21.4**
Legal reserves	1.1	-
	31.0	**21.4**

The expenses incurred in the capital increased (EUR 1 million) as at October 2018 were registered decreasing the company reserves.

8.3. TREASURY SHARES

The Company has acquired treasury shares for the purpose of the execution of the stock option plan of the employees. As AmRest Holdings shares are trading in the Warsaw Stock Exchange in Poland the price of the share is denominated in PLN.

As at 31 December 2018 the Company held 1,586,738 treasury shares by a total value of EUR 15.2 million of (PLN 64.7 million) that were acquired at an average purchase price of PLN 40.89 (124,871 treasury shares by a total value of EUR 10.6 million approximately PLN 45 million as at 31 December 2017 that were acquired at an average purchase price of PLN 35.95).

During 2018 were acquired 926,076 treasury shares at an average purchase price of PLN 43.72.

The movement of treasury shares for the stock option plan is as follows:

	2018	2017 *(restated)*
Initial Balance	**(10.6)**	**(2.5)**
Adquisition of own Shares	(9.5)	(18.7)
Delivery of shares for the stock option plan	4.9	10.6
Ending Balance	**(15.2)**	**(10.6)**

(all figures in EUR millions unless stated otherwise)

8.4. OTHER EQUITY INSTRUMENTS

In the item of the balance sheet other equity instruments it is registered the provision of the stock option plan for the employees recognised under the equity settlement method:

	2018	**2017** *(restated)*
Provision of the stock option plan under Equity settlement method	(6.2)	(8.8)
Other Equity instruments	**(6.2)**	**(8.8)**

The movement of the accrual for the equity instruments of the stock option plan is as follow:

	2018	**2017** *(restated)*
Initial Balance	(8.8)	(3.2)
Equity share base plans accrual	5.5	3.1
Reclasification of options under cash settlement method exercise in shares	1.2	0.9
Delivery of shares for the stock option plan	(4.9)	(10.6)
Exercise of option under gross settlement method	0.8	0.5
Exchange rates differences		0.5
Ending Balance	**(6.2)**	**(8.8)**

8.5. ADJUSTMENTS FOR CHANGES IN VALUE

The balance of the adjustments for changes in value is as follow:

	2018	**2017** *(restated)*
Currency translation reserve	(6.8)	(6.8)
Fair value adjustments of assets available-for-sale (6)	1.9	-
Adjustments for changes in value	**(4.9)**	**(6.8)**

In the item currency translation reserve is registered the result of the change of the functional and presentation currency from PLN to EUR described in the note 2 of these Annual Accounts.

In the item fair value adjustments of assets available-for-sale is registered the revenue resulting from the valuation at fair value of Glovoapp 23, S.L. investment (EUR 1.9 million).

9. Employee benefits and share based payments

The Company established long-term incentive plans in order to bind a portion of managers' and executives' remuneration with the Company's market value. At 31 December 2018, the Company had the share-based payment arrangements according to four share option plans. Part of options in the Plan 2 is accounted as cash-settled due to the availability of cash exercise method upon the choice of an employee. All other options in the following plans are equity-settled.

9.1 Plan 2 – Stock Option Plan 2005

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

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

In 2015 a change in regulations eliminated a possibility of option settlement with cash method for the grants after December 8, 2015. Furthermore, a group of employees made a unilateral statement about resignation from cash settlement possibility in relation to option granted also in previous periods.

9.2 Plan 3 – Management Incentive Plan 2011

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

9.3 Plan 4 – Stock Option Plan 2017

In January 2017 the Company introduced new share-based Stock Option Plan. The number of options granted, employees awarded and granting dates were initially determined by the then existing Management Board (current Executive Team), however the number of options is limited to 750.000 options. Granting Period was set between 1 January 2017 and 31 December 2019. The option exercise price will be in principle equal to the market price of the Company's shares as at the date of granting the option, and the vesting period will be 3 to 5 years. There are no cash settlement alternatives.

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

9.4 Plan 5 – Management Incentive Plan 2017

In January 2017 the Group introduced new share-based Management Incentive Plan, offered to selected employees. The whole number of shares which are attributed to the options is determined by the Board of Directors, however, it may not exceed 1.000.000 shares. In accordance with the provisions of the Plan, the Board of Directors, on request of the management, 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. Granting Period was set between 1 January 2017 and 31 December 2019. The option initial exercise price is in principle equal to the market price of the Company's shares as at the date of First Grant. Exercise price shall increase on 1st, 2nd and 3rd anniversary by 11%. Vesting period lasts 3 to 5 years. There are no cash settlement alternatives.

(all figures in EUR millions unless stated otherwise)

The terms and conditions for the share options outstanding as at 31 December 2018 are presented in the table below:

Grant date	Terms and conditions for vesting of the options	The maximum term of options	Option exercise price in EUR**	Method of settlement
Plan 2 - SOP				
April 30, 2009	1-5 years, 20% per annum	10 years	1.14	Equity or equity/cash*
May 10, 2009			1.75	Equity or equity/cash*
April 30, 2010			1.68	Equity or equity/cash*
June 20, 2011			1.87	Equity or equity/cash*
April 30, 2012			1.68	Equity or equity/cash*
April 30, 2013			1.94	Equity or equity/cash*
April 30, 2014			1.96	Equity or equity/cash*
December 9, 2015			3.14	Equity or equity/cash*
April 30, 2016			5.35	Equity
Plan 3 – MIP				
December 13, 2011	3 years, 33% p.a.	10 years	1.46	Equity
October 8, 2012			1.55	Equity
January 16, 2014			1.61	Equity
July 8, 2014			1.46	Equity
October 1, 2014			1.97	Equity
Plan 4 - SOP				
May 30, 2017	3-5 years, 60% after 3rd year, 20% after 4th and 5th year	10 years	8.14	Equity
January 1, 2018			9.66	Equity
April 30, 2018			10.91	Equity
August 6, 2018			10.46	Equity
October 1, 2018			10.63	Equity
December 10, 2018			9.40	Equity
Plan 5 - MIP				
March 15, 2017	3-5 years, 33% p.a.	10 years	10.51	Equity
September 13, 2017			10.97	Equity
October 13, 2017			11.87	Equity
March 3, 2018			10.51 - 11.87	Equity
October 1, 2018			14.54	Equity

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

***The table presents data considering the share split effect and necessary retrospective restatement which affected option prices (strike price, exercise price), fair value of the option and number of options.*

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

In the table below we present the number and weighted average of the exercise prices (WAEP) of, and movements in, the options from all plans during the year ended 31 December 2018 and 2017:

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

(all figures in EUR millions unless stated otherwise)

Number of options 2017*	WAEP in EUR (before indexation)	Plan 5	Plan 4	Plan 3	Plan 2
Exercisable as at the end of the period	1.38	-	-	2 366 660	960 622
At the beginning of the period	1.46	-	-	4 050 020	4 258 840
Granted during the period	8.04	4 600 000	1 961 700	-	-
Exercised during the period	2.68	-	-	(1 216 690)	(903 180)
Forfeited during the period	3.26	-	-	-	(228 880)
Outstanding at the end of the period	5.00	4 600 000	1 961 700	2 833 336	3 126 780
Exercisable as at the end of the period	1.77	-	-	2 066 660	974 280

**The table presents data considering the share split effect and necessary retrospective restatement which affected option prices (strike price, exercise price), fair value of the option and number of options.*

The weighted average share price at the dates of exercise of the options was EUR 10.28 in 2018 and EUR 8.03 in 2017.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 was 7.33 years (2017: 7.27 years).

9.5 Measurement

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

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

Plan*	Average fair value of option as at grant date	Average share price at the grant date	Average exercise price	Expected volatility	Expected term to exercise of options	Expected dividend	Risk-free interest rate
2018							
Plan 4 (SOP)	EUR 3.19	EUR 10.91	EUR 10.91	29%	5 years	-	2%
Plan 5 (MIP)	EUR 3.21	EUR 7.89	EUR 10.78	29%	5 years	-	2%
2017							
Plan 4 (SOP)	EUR 2.33	EUR 8.14	EUR 8.14	28%	5 years	-	2%
Plan 5 (MIP)	EUR 1.36	EUR 8.00	EUR 10.94	28%	5 years	-	2%

**The table presents data considering the share split effect and necessary retrospective restatement which affected option prices (strike price, exercise price), fair value of the option and number of options.*

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

(all figures in EUR millions unless stated otherwise)

10. Provisions

In the item of the balance sheet other provisions is registered the provision of the stock option plan for the employees recognised under the cash settlement method:

	31 December 2018	31 December 2017 *(restated)*
Initial Balance	**2.2**	**2.7**
Plan modification (reclassification from SOP liabilities to SOP provision within equity)	-	(0.4)
Revaluation	0.9	1.8
Reclassification of options settled with equity method	(1.2)	(0.9)
Options exercised with cash settlement method	(0.6)	(1.0)
Ending Balance	**1.3**	**2.2**

11. Taxation

The composition of the balances with the public administrations is as follow:

	2018	2017 *(restated)*
Assets		
Income tax receivable	-	0.1
Total	**-**	**0.1**
Liabilities		
Income tax payable	1.5	-
VAT payable	0.2	-
Personal income tax and other withholding taxes	0.1	-
Total	**1.8**	**-**

Income tax

As at 31 December 2018 and with effects 1 January 2018, the Company is under the consolidation tax regime set forth in Chapter VI of Title VII of Corporate Income Tax Law 27/2014 of 27 November 2014, being the head of the tax group composed by the Company itself and the rest of the Spanish subsidiaries:

- AmRestag, S.L.U.
- AmRestavia, S.L.U.
- Restauravia Grupo Empresarial, S.L.
- Restauravia Food, S.L.U.
- Pastificio, S.L.U.*
- Pastificio Service, S.L.U.*
- Pastificio Restaurantes, S.L.U.*
- And The Grill Concept, S.L.

On 26 September 2018 was granted the public deed of the merger by absorption of Pastificio, S.L.U. and Pastificio Restaurantes, S.L.U with Pastificio Service, S.L.U.

(all figures in EUR millions unless stated otherwise)

The composition of the income tax expense of the individual company is as follows:

	2018	2017 *(restated)*
Corporate income tax	(1.7)	(0.1)
Change in deferred taxes and liabilities	0.3	(0.4)
Total income tax recognised in the income statement	**(1.4)**	**(0.5)**

The amounts reported in change in deferred taxes and liabilities during the 12 months ended 31 December 2018 correspond to the write down of deferred taxes recognised as of 31 December 2017 based on the provisions established in the Polish tax regime. As these temporary differences will be not utilised following the regulations of the Spanish law they have been reversed.

The reconciliation between the net result and the tax base of the individual entity is as follows:

	Income statement		
	Additions	Decreases	Total
Profit and loss for the period	**-**	**-**	**4.1**
Income tax expense	-	-	(1.4)
Permanent differences	**-**	**(11.1)**	**(11.1)**
Temporary differences	**1.7**	**-**	**1.7**
- With origin in the current year	1.7	-	1.7
- With origin in previous years	-	-	-
Tax base	**-**	**-**	**(6.6)**
Corporate income tax 25%			**(1.7)**

In permanent differences are adjusted the revenues from Dividends and the stock option plan that are considered exempt for income tax purposes.

In temporary differences are adjusted mostly the impairments for receivables and investments with group companies, that will be deductible once the companies are liquidated.

The movement of the deferred tax assets for the years ended 31 December 2018 and 2017 has been as follows:

	2018	2017 *(restated)*
Balance at beginning of the period	0.3	0.05
Debit (credit) on the profit and loss account	(0.3)	0.25
Balance at the end of the period	**-**	**0.3**

(all figures in EUR millions unless stated otherwise)

The reconciliation between the consolidated tax base and the individual tax base of the subsidiaries of the tax group is detailed below:

	2018
Tax base AmRest Holdings	**(6.6)**
Tax base contributed by subsidiaries of the tax group:	**39.5**
AmRestag, S.L.U.	(1.5)
Amrestavia, S.L.U.	0.1
Restauravia Grupo Empresarial, S.L.U.	-
Restauravia Food, S.L.U.	5.4
Pastificio Service, S.L.U.	36.9
The Grill Concept, S.L.U.	(1.4)
Tax base of the consolidated tax group	**32.9**
Current income tax of the consolidated tax group (25%)	8.2
Other deductions	(0.4)
Withholding taxes and CIT advances	(6.3)
Income tax payable	**1.5**

AmRest Holdings SE has the following balances related to current accounts with group entities resulted from the Consolidated tax regimen:

	2018
Receivables:	
Restauravia Food, S.L.U.	0.6
Pastificio Service, S.L.U.	0.4
AmRestavia S.L.U	0.5
Total receivables from the Consolidated tax regime	**1.4**
Payables	
The Grill Concept S.L.U	(0.4)
Total payables from the Consolidated tax regime	**(0.4)**

12. Income and expenses

12.1 REVENUES

In the item Revenues of the separate income statement for the years ended on 31 December 2018 and 2017 were recognised the result of the execution of stock option plan for employees and the interest and dividends received from subsidiaries:

(all figures in EUR millions unless stated otherwise)

	2018	2017 *(restated)*
Dividends from Subsidiaries	8.4	7.3
Stock option plan re-charged to subsidiaries	5.4	11.3
Cost of the options granted to employees	(2.7)	(3.2)
Financial income from group companies	2.0	3.2
Total Revenues	**13.1**	**18.6**

The breakdown of Dividends by geographical area is as follow:

	2018	2017 *(restated)*
Domestic market	-	-
Exports:	8.4	7.3
a) European Union	8.4	7.3
b) O.E.C.D countries	-	-
c) Other countries	-	-
Total Dividends received from Subsidiaries	**8.4**	**7.3**

The breakdown of revenues from the stock option plan for the employees by geographical area is as follow:

	2018	2017 *(restated)*
Domestic market	**1.0**	**2.4**
Exports:	**1.7**	**5.7**
a) European Union	0.5	5.1
b) O.E.C.D countries	0.8	0.6
c) Other countries	0.4	-
Net income from the stock option plan	**2.7**	**8.1**

The breakdown of finance income from group companies by geographical area is as follow:

	2018	2017 *(restated)*
Domestic market	0.4	2.7
Exports:	1.5	0.5
a) European Union	1.2	0.3
b) O.E.C.D countries		
c) Other countries	0.4	0.2
Finance income from group companies	**2.0**	**3.2**

(all figures in EUR millions unless stated otherwise)

12.2. PERSONNEL EXPENSES:

The detail of personnel expenses is as follow:

	2018	2017 *(restated)*
Salaries and social charges	(0.8)	(0.5)
Total other operating expenses	**(0.8)**	**(0.5)**

12.3. OTHER OPERATING EXPENSES

The composition of the other operating expenses is as follows:

	2018	2017 *(restated)*
Profesional Services	(2.2)	(1.4)
Business travel	(0.2)	(0.1)
Other taxes	(0.5)	-
Other expenses	(0.2)	(0.7)
Total other operating expenses	**(3.1)**	**(2.2)**

12.4 INCOME AND EXPENSES IN FOREIGN CURRENCY

The income and expenses denominated in foreign currency are as follow:

For the year ended 31 December 2018

	PLN	USD
Other operating expenses	(0.5)	-
Impairments for credits and receivables with group companies		0.1
Impairment in investments of groups companies		(1.0)
Results from operating activities	**(0.5)**	**(0.9)**
Finance income	0.1	
Finance expenses	(3.3)	-
Net finance income (expense)	**(3.2)**	**-**
Total Income and expenses in foreign currency	**(1.8)**	**(0.9)**

For the year ended 31 December 2017

	EUR	USD
Revenues	**2.0**	**0.3**
Other operating expenses	(0.6)	(0.2)
Results from operating activities	**1.4**	**0.1**
Finance expenses	(1.3)	-
Net finance income (expense)	**0.1**	**0.1**

(all figures in EUR millions unless stated otherwise)

13. Financial result

	2018	2017 *(restated)*
Financial Income		
With third parties	-	0.2
Total Financial Income	**-**	**0.2**
Financial Expenses		
With group companies	(0.8)	-
With third parties	(6.1)	(4.3)
Total Financial Expenses	**(6.9)**	**(4.3)**

13.1 Exchange rates differences:

The breakdown of exchange losses and gains recognised in the income statement is follows:

	2018	2017 *(restated)*
On Investments and loans with group companies	0.4	(1.1)
On Trade receivables	-	(0.1)
On Banks and others	(0.2)	(0.1)
On Financial liabilities	2.0	1.3
Trade payables	-	0.1
Total	**2.2**	**0.1**

(all figures in EUR millions unless stated otherwise)

14. Related parties balances and transactions

As at 31 December 2018 the AmRest Group comprised the following subsidiaries:

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Ltd.	Birkirkara, Malta	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.U.	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
AmRest China Group PTE Ltd	Singapore	AmRest Holdings SE	100.00%	December 2012
Bigsky Hospitality Group Ltd	Hong Kong, China	AmRest China Group PTE Ltd	100.00%	December 2012
New Precision Ltd	Apia, Samoa	AmRest China Group PTE Ltd	100.00%	December 2012
Horizon Group Consultants	Road Town, British Virgin Islands	AmRest China Group PTE Ltd	100.00%	December 2012
AmRest Management Kft	Budapest, Hungary	AmRest Kft AmRest Capital Zrt	99.00% 1.00%	August 2018
GM Invest SRL	Uccle, Belgium	AmRest Capital Zrt	100.00%	October 2018
Sushi Shop Group SAS	Paris, France	GM Invest SRL AmRest Capital Zrt	9.47% 90.53%	October 2018
AmRest France SAS	Paris, France	AmRest Holding SE	100.00%	December 2018
Sushi Shop Management SAS	Paris, France	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Belgique SA	Bruxelles, Belgium	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Holding USA LLC	Dover Kent, USA	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Luxembourg SARL	Luxembourg	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Switzerland SA	Fribourg, Switzerland	Sushi Shop Management SAS	100.00%	October 2018
		Restaurant, franchise and master-franchise activity		
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czechia	AmRest Holdings SE	100.00%	December 2000
AmRest Kft***	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	June 2006
AmRest Coffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o. Starbucks Coffee International,Inc.	82.00% 18.00%	March 2007
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o.o.	44.72% 55.28%	July 2007
AmRest Coffee s.r.o.	Prague, Czechia	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.	Belgrade, Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00% 40.00%	October 2007
Restauravia Food S.L.U.	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Service S.L.U.****	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011
AmRest GmbH i.L.*	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	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

(all figures in EUR millions unless stated otherwise)

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
AmRest Coffee 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
AmRest Coffee Deutschland Sp. z o.o. & Co. KG	Munich, Germany	AmRest Kaffee Sp. z o.o. AmRest Capital Zrt	77.00% 23.00%	May 2016
AmRest DE Sp. z o.o. & Co. KG	Berlin, Germany	AmRest Kaffee Sp. z o.o.	100.00%	December 2016
The Grill Concept S.L.U.	Madrid, Spain	Pastificio Service S.L.U.	100.00%	December 2016
Kai Fu Restaurant Management (Shanghai) Co., Ltd	Shanghai, China	Blue Frog Food&Beverage Management Ltd	100.00%	December 2016
LTP La Tagliatella Portugal, Lda	Lisbon, Portugal	AmRest TAG S.L.U. AmRestavia S.L.U.	74.00% 26.00%	February 2017
AmRest AT GmbH	Vienna, Austria	AmRest Sp. z o.o.	100.00%	March 2017
AmRest Topco France SAS	Paris, France	AmRest France SAS	100.00%	May 2017
AmRest Delco France SAS	Paris, France	AmRest Topco France SAS	100.00%	May 2017
AmRest Opco SAS	Paris, France	AmRest France SAS	100.00%	July 2017
OOO Chicken Yug	Saint Petersburg, Russia	OOO AmRest	100.00%	October 2017
OOO Pizza Company	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Ltd. OOO AmRest	99.9% 0.1%	November 2017
AmRest Coffee SRB d.o.o.	Belgrade, Serbia	AmRest Holdings SE	100.00%	November 2017
AmRest Chamnord SAS	Paris, France	AmRest Opco SAS	100.00%	March 2018
AmRest SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o. AmRest Sp. z o.o.	99.00% 1.00%	April 2018
AmRest Pizza GmbH	Berlin, Germany	AmRest DE Sp. z o.o. & Co. KG	100.00%	June 2018
Black Rice S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100,00%	July 2018
Bacoa Holding S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100,00%	July 2018
Versaillies Resto SAS*****	Paris, France	AmRest Opco SAS	100,00%	November 2018
Sushi Shop Restauration SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Orphus SARL	Paris, France	Sushi Shop Management SAS Eloise CAZAL	85.00% 15.00%	October 2018
Sushiga SARL	Paris France	Sushi Shop Management SAS Emmanuel GARFIN	50.00% 50.00%	October 2018
Altana SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Tomemma SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Antibes Developpement SAS	Paris, France	Sushi Shop Group SAS Sushi Shop Management SAS	60.00% 40.00%	October 2018
Sushi Courbevoie Developpement SARL	Paris, France	Sushi Shop Group SAS	100.00%	October 2018
Sushi Nice Developpement SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Lepic SARL	Paris, France	Sushi Shop Martyrs SARL	100.00%	October 2018
Sushi Shop Levallois SARL	Paris, France	Sushi Shop Courcelles SARL	100.00%	October 2018
Sushi Shop Martyrs SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Secretan SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop ST Dominique SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Villers SARL	Paris, France	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Vincennes SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Corner SAS	Paris, France	Sushi Shop Restauration SAS	100.00%	October 2018
Sushi Shop Corner M SARL	Paris, France	Sushi Shop Restauration SAS	100.00%	October 2018
Art Sushi Marseille SAS	Marseille, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Vieux Lille SAS	Lille, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Lille Centre SAS	Lille, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Toulouse Developpement SARL	Paris France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Amiens SARL	Amiens, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Traiteur SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
SSC – Sushi Shop Cauderan SAS	Bordeaux, France	Sushi Shop Management SAS	100.00%	October 2018
SSBC – Sushi Shop Bordeaux Chartrons SAS	Bordeaux, France	Sushi Shop Management SAS	100.00%	October 2018
SSB Sushi Shop Bordeaux SAS	Bordeaux, France	Sushi Shop Management SAS	100.00%	October 2018
SSM – Sushi Shop Merignac SAS	Bordeaux France	Sushi Shop Management SAS	100.00%	October 2018
AIX Sushi House SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
ART Sushi ST Barnabe SARL	Marseille, France	Art Sushi Marseille SAS	100.00%	October 2018

(all figures in EUR millions unless stated otherwise)

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
ART Sushi Delibes SARL	Marseille, France	Art Sushi Marseille SAS	100.00%	October 2018
Sushi Marseille Developpement SARL	Marseille, France	Art Sushi Marseille SAS	100.00%	October 2018
Zen'itude SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Courcelles SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Nantes SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Gelau SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Bottega Romana Courcelles SARL	Paris, France	Sushi Shop Restauration SAS	100.00%	October 2018
Bottega Romana Boetie SARL	Paris, France	Sushi Shop Restauration SAS	100.00%	October 2018
Sushi Grand Ouest SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Rouen SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Toulouse 3 SARL	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Angers SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Sushi Shop La Rochelle SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Sushi Shop Le Mans SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Sushi Shop Tours SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Sushi Shop Caen SARL	Paris, France	Sushi Grand Ouest SAS	100.00%	October 2018
Black Box SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Bontor SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
RCP SARL	Paris, France	Black Box SAS	100.00%	October 2018
Sauboget SARL	Paris, France	Black Box SAS	100.00%	October 2018
HP2L SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Nice 2 SARL	Paris, France	Sushi Nice Developpement SAS	100.00%	October 2018
CR Developpement SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi 54 SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi 21 SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Rennes Nemours SARL	Paris, France	HP2L SAS	100.00%	October 2018
Sushi Corner Saint Gregoire SARL	Paris, France	HP2L SAS	100.00%	October 2018
Sushi Lyon 64 SAS	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
SSW 1 SPRL	Waterloo, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
SSW 2 SPRL	Wavre, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi House SA	Luxembourg	Midicapital Sushi Shop Luxembourg SARL	14.00% 86.00%	October 2018
Sushi Sablon SA	Bruxelles, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop London LTD	London, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Louise SA	Bruxelles, Belgium	Sushi Shop Belgique SA Midicapital	54,80% 45,20%	October 2018
Sushi Shop UK LTD	Charing, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Uccle SA	Uccle, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop Anvers SA	Bruxelles, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop Geneve SA	Geneva, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Lausanne SARL	Lasanne, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Madrid S.L.	Madrid, Spain	Sushi Shop Management SAS Carlos Santin	63.00% 37.00%	October 2018
Sushi Shop Milan SRL	Milan, Italy	Sushi Shop Management SAS Vanray SRL	70.00% 30.00%	October 2018
Sushi Shop NE USA LLC	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop NY1	New York, USA	Sushi Shop Holding USA LLC Sushi Shop NE USA LLC	64.00% 36.00%	October 2018
Sushi Shop NY2	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop International SA	Bruxelles, Belgium	Sushi Shop Belgique SA Sushi Shop Group SAS	99.90% 0.10%	October 2018
Sushi Shop Zurich GMBH	Zurich, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Nyon SARL	Nyon, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop NL B.V.	Amsterdam, Netherlands	Sushi Shop Group SAS	100.00%	October 2018
		Financial services and others for the Group		
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
AmRest Capital Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011

(all figures in EUR millions unless stated otherwise)

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
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
Restaurant Partner Polska Sp. z o.o.	Łódź, Poland	AmRest Holdings SE Delivery Hero SE	51.00% 49.00%	August 2017
AmRest Estate SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
AmRest Leasing SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
OOO RusCo Food	Saint Petersburg, Russia	AmRest Management Kft	100.00%	August 2018
AmRest Trademark Kft	Budapest, Hungary	AmRest Management Kft	100.00%	September 2018
AmRest Franchise Sp. z o.o.	Wrocław, Poland	AmRest Sp. z o.o. Michał Lewandowski	99,00% 1.00%	December 2018
Supply services for restaurants operated by the Group				
SCM Czech s.r.o.	Prague, Czechia	SCM Sp. z o.o. Ondrej Razga	90.00% 10.00%	March 2007
SCM Sp. z o.o.	Warsaw, Poland	AmRest Sp. z o.o. R&D Sp. z o.o. Beata Szafarczyk-Cylny Zbigniew Cylny	51.00% 43.80% 5.00% 0.20%	October 2008
SCM Due Sp. z o.o.	Warsaw, Poland	SCM Sp. z o.o.	100.00%	October 2014

** On 25 November 2016 Amrestavia, S.L.U., the sole shareholder of AmRest GmbH, decided to liquidate this company. The liquidation process has not been finished up until the date of this Report.*
*** On 5 September 2017 Amrestavia, S.L.U., the sole shareholder of La Tagliatella Financing Kft, decided to liquidate this company. The liquidation process has not been finished up until the date of this Report.*
**** On 11 September 2018 the Company Registry Court registered the merger between AmRest Kft and AmRest Finance Zrt. The effective merger date is 31 October 2018, whereupon AmRest Finance Zrt ceased to exist, the Company Registry Court deleted it from the companies register and its rights and obligations were transferred transfer to AmRest Kft as successor company.*
*****On 1 October 2018, Pastificio S.L.U. and Pastificio Restaurantes S.L.U. were merged into Pastificio Service S.L.U.*
******On 27 November 2018, AmRest Opco SAS the sole shareholder of Versaillies Resto SAS, has decided to merger this company. The effective merger date is 1 January 2019.*

(all figures in EUR millions unless stated otherwise)

The balances with the Group entities are as follows:

	31 December 2018	31 December 2017 *(restated)*
Assets		
Long term loans granted to group companies	199.7	13.4
Short term loans granted to group companies	4.6	2.1
Total loans granted to group companies	**204.3**	**15.5**
AmRest TopCo	7.8	2.1
AmRest Opco SAS	25.9	8.9
AmRest China	6.8	4.5
AmRest Coffee Deutschland Sp. z o.o.	1.5	-
AmRest DE Sp. z o.o. & Co. KG	12.2	-
AmRest HK Limited	0.1	-
AmRest AT GmbH	1.7	-
AmRest Kaffee Sp. z o.o.	37.4	-
AmRest TAG S.L.U.	62.9	-
Blue Frog Food & Beverage Management	1.8	-
Pastificio Service. S.L.U.	26.6	-
Restauravia Food. S.L.U.	11	-
Restauravia Grupo Empresarial. S.L.	8.6	-
Other financial assets with group companies	**1.40**	**-**
Restauravia Food. S.L.U.	0.5	
Pastificio Service S.L.U.	0.4	-
AmRestavia S.L.U.	0.5	
The Grill Concept S.L.U.		
Trade and other receivables with group companies	**1.3**	**2.8**
AmRest Sp. z o.o.	0.7	0.6
Restauravia Food. S.L.U.	0.1	-
OOO AmRest	0.1	-
AmRestavia. S.L.U.	0.2	2.2
AmRest Kft	0.1	-
AmRest SRO	0.1	-
Liabilities		
Other financial liabilities with group companies	**17.7**	**-**
AmRest Sp. z o.o.	17.7	-
Short term debt and other current financial liabilities	**0.6**	-
AmRest Sp. z o.o.	0.2	-
The Grill Concept S.L.U.	0.4	-
Trade payables with group companies	**1.7**	**0.9**
AmRestavia. S.L.U.	1.1	0.8
AmRest Sp. z o.o.	0.4	-
Other related parties	0.2	0.1

(all figures in EUR millions unless stated otherwise)

The transactions with group entities are as follows:

	31 December 2018	31 December 2017 *(restated)*
Revenues		
Revenues from Dividends	**8.4**	**7.3**
AmRest SRO	8.4	7.3
Revenues from the result of the stock option plan	**2.7**	**8.1**
AmRest Sp. z o.o.	(0.2)	4.7
AmRest Coffee Sp. z o.o.	0.4	0.1
AmRest SRO	0.1	-
AmRest FSVC LLC	0.8	0.6
Restauravia Food S.L.U.	0.1	0.1
Pastficio Service S.L.U.	0.1	0.1
AmRestavia S.L.U.	0.7	2.2
AmRest Kft	0.1	0.1
AmRest Coffee SRO	0.3	0.1
OOO AmRest	0.3	0.1
Financial Income from group companies	**2.0**	**3.2**
AmRest Sp. z o.o.	0.2	2.7
AmRest HK Ltd.	0.1	0.1
AmRest China Group PTE Ltd.	0.3	0.2
AmRest Coffee Deutschland	-	0.1
AmRest Topco France	0.1	-
AmRest Opco SAS	0.4	0.1
AmRest DE Sp. z o.o. & Co. KG	0.1	-
AmRest Kaffee Sp. z o.o.	0.3	-
AmRest TAG S.L.U.	0.3	-
Pastificio Service S.L.U.	0.1	-
Restauravia Food S.L.U.	0.1	
Expenses		
Financial expenses with group companies	**0.8**	**-**
AmRest Sp. z o.o.	0.7	-
Pastificio Service S.L.U.	0.1	-
Impairment of financial instruments with group companies	**(1.9)**	**(1.8)**
AmRest LLC	0.1	
AmRest FSV LLC	(1.9)	(1.7)
AmRest HK Limited	(0.1)	(0.1)

(all figures in EUR millions unless stated otherwise)

15. Remuneration of the board of directors and senior executives

(a) Below are described the remunerations of the board of Directors and Management Board (Senior Executives) following the regulations of the CNMV Circular 5/2015 from 28 October:

The remuneration of Board of Directors paid by AmRest Holdings SE for all the retribution concepts is the following:

	31 December 2018	31 December 2017 *(restated)*
Board of Directors Remunerations		
Fixed Remuneration	0.5	0.4
Operations with shares and/or other financial instruments	0.8	0.6
Total Board of Director remunerations	**1.3**	**1.0**

The remuneration of the Board of Directors paid by other subsidiaries of the group for all the retribution concepts are as follows:

	31 December 2018	31 December 2017 *(restated)*
Board of Directors Remunerations		
Salaries	0.3	0.4
Variable Remuneration	0.1	0.2
Total Board of Director remunerations	**0.4**	**0.6**

The remuneration of the Senior Executives paid by the Company is as follow:

	31 December 2018	31 December 2017 *(restated)*
Management board (Senior Executives)		
Remuneration received by the Senior Executives	0.1	-
Total remuneration received by the Senior Executives	**0.1**	**-**

The remuneration of the Senior Executives paid by other subsidiaries of the group is as follows:

	31 December 2018	31 December 2017 *(restated)*
Management board (Senior Executives)		
Remuneration received by the Senior Executives	2,1	8.7
Total remuneration received by the Senior Executives	**2.1**	**8.7**

(b) Information about conflict of interest situations of the Board of Directors:

In the duty to avoid situations of conflict with the interest of the Company, during the year the directors who have held positions on the Board of Directors have complied with the obligations set forth in article 228 of the consolidated text of the Capital Companies Law. Likewise, both they and the persons related to them, have refrained from incurring in the cases of conflict of interest foreseen in article 229 of said law, except in the cases in which the corresponding authorization has been obtained.

(all figures in EUR millions unless stated otherwise)

(c) Transactions other than ordinary business or under terms differing from market conditions carried out by the Board of Directors or Audit Committee:

In 2018 and 2017 the members of the Board of Directors of the Company or of the Audit Committee have not carried out any transactions other than ordinary business with the Company or applied terms that differ from market conditions.

16. Other information

16.1. AVERAGE NUMBER OF EMPLOYEES

The average number of employees, distributed by categories, for the year 2018 is a follow:

Categories	2018
Executive Managers	**1.0**
Other Managers	**1.0**
	2.0

The Company did not have any employees during 2017.

The number of employees and members of the board of directors, distributed by gender, as at 31 December 2018 is a follow:

Gender	2018
	Males
Board members	**7**
Executive Managers	**1**
Other Managers	**1**
	9

There are no employees with a disability rating of 33% or higher during 2018.

16.2. TAX INSPECTIONS

On 16 November 2017 at AmRest Holdings SE a tax inspection began regarding CIT for 2012. On 12 February 2018 the Company received a tax inspection result regarding the tax inspection based on which the Company submitted on 22 February 2018 a corrective tax return increasing the taxable income. The corrected amount was immaterial.

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

16.3 Information about the environment

Given the activity to which the Company is dedicated, it has no liabilities, expenses, assets, provisions or environmental contingencies that could be significant in relation to the assets, financial situation and results of the same. For this reason, the specific disclosures of information are not included in this report.

16.4 Subsequent events

There have been no subsequent events that reveal circumstances that already existed on the closing date of the year and have assumed, according to their nature, the inclusion of an adjustment in the figures contained in the annual accounts. There have also been no subsequent events that show conditions that did not exist at the end of the year and that are of such importance that they affect the ability of the users of the annual accounts to evaluate them.

17. Audit fees

The fees accrued during the year ended 31 December 2018 by KPMG Auditores, S.L. and during the year ended in 31 December 2017 by BDO Sp. Z o.o. were as follows:

In thousands of Euros	**2018**	**2017** *(restated)*
Audit fees Service		
Audit	18.0	7,1
Total audit fees	**18.0**	**7.1**

Signatures of the Board of Directors

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

Henry McGovern
Member of the Board

Steven Kent Winegar Clark
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mustafa Ogretici
Member of the Board

Madrid, 27 February 2019

Directors's Report 31 December 2018

(all figures in EUR millions unless stated otherwise)

1. Financial highlights

	year ended 31 December 2018	year ended 31 December 2017 *(restated)*	3 months ender on December 31 2018	3 months ender on December 31 2017 *(restated)*
Revenues	13.1	18.6	1.7	10.2
Results from operating activities	7.4	14.1	(0.4)	8.4
Financial Cost	(4.7)	(4.0)	(2.4)	0.6
Income tax expense	1.4	0.5	0.8	(0.2)
Profit/(loss) for the period	4.1	10.6	(2.0)	8.7

	31 December 2018	31 December 2017 *(restated)*
Total Assets	648.8	369.4
Total liabilities and provisions	380.7	174.3
Non-current liabilities	374.3	136.6
Current liabilities	6.4	37.7
Share capital	22.0	0.2

2. Significant events and transactions in 2018

Entrance into Russian bakery segment

On 27 February 2018 the Group announced signing on the same day the Subscription and Shareholders' Agreement with LPQ Russia Limited, based in London, United Kingdom ("Partner").

The agreement defined the main terms and conditions of cooperation between AmRest Holdings SE and the Partner aimed at developing a restaurant business in the bakery segment in Russia through a newly-formed corporate structure. As a result, AmRest would become a majority shareholder, holding 51% stake in newly created company ("NewCo"). The remaining 49% stake will be held by the Partner. NewCo will own and control its subsidiaries: the operating entity in Russia and the trademarks holding company.

The cooperation assumed the contribution of trademarks ("Хлеб Насущный" (Khleb Nasuschny), "Филипповъ" (Philippov), "Наш хлеб" (Nash Khleb) and "Андреевские булочные" (Andreevsky Bulochnye)) to the Structure by the Partner. AmRest would invest EUR 6 million into the Structure with the purpose of developing the restaurant business in Russia.

The Group believes that described partnership and expansion into bakery sector will increase Group's footprint in the Russian market, enhance its product portfolio and broaden the customer base. The above is expected to strengthen AmRest's position in the restaurant sector in the region as well as be a source of value creation for AmRest shareholders in the future.

As at the date of this report, the transaction has not been finalized.

Registration of the Group's registered office in Spain

On 14 March 2018 AmRest Holdings SE informed that on the same day it received a confirmation of the registration on 12 March 2018 of its registered office in Pozuelo de Alarcón, Madrid, Spain.

Simultaneously, the amended Statute of the Company adopted by the Extraordinary General Meeting of 5 October 2017 came into force.

In connection with the above, AmRest informed that Spain is currently its Home State and legal and regulatory provisions applicable in the Spanish market will now be applicable to the Company and its shareholders instead of some of the hitherto applicable Polish legal regulations.

Acquisition of Pizza Hut business in Russia

On 30 April 2018 AmRest signed the Master Franchise Agreement ("MFA") with Pizza Hut Europe S.à.r.l. ("PH Europe"). Based on the MFA, AmRest was supposed to gain the master-franchisee rights for Pizza Hut brand in Russia, Azerbaijan and Armenia ("Territory"). As a result of completion of MFA (1 June 2018), AmRest obtained the exclusive right to grant the license to third parties to operate Pizza Hut restaurants (sub-franchise) in the Territory and became the franchisor for nearly 30 restaurants currently operated by multiple sub-franchisees in above mentioned countries.

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 Group meets certain development obligations specified in the MFA. The MFA was granted for initial period of 10 years with an option of further prolongations upon the fulfilment of certain terms and conditions.

Simultaneously, on 30 April 2018, OOO Pizza Company, being the subsidiary of AmRest signed the Asset Purchase Agreement ("APA") with Yum Restaurants International Russia and CIS LLC ("PH Russia").

As a result of completion of the APA (1 June 2018), the Group acquired the assets of 16 Pizza Hut Delivery and Express restaurants, previously run by PH Russia in Moscow. The purchase price was estimated at RUB 142.6 million (EUR 1.9 million).

AmRest believes in a great potential for growing presence of Pizza Hut brand in Russia. The master franchise rights will contribute to strengthening the partnership with Yum! Brands and AmRest's leadership position of restaurant operator in Russia.

Acquisition of 15 KFC restaurants in France

On 23 May 2018 AmRest signed the Binding Head of Terms ("HoT") determining the key terms and conditions of a purchase of 15 equity restaurants from KFC France SAS ("KFC Business"), operated in the French market and signing of Standard KFC International Franchise Agreement for each restaurant.

On 26 July 2018 AmRest Opco, AmRest Leasing SAS, AmRest Estate SAS (jointly: „Buyer") and KFC France SAS ("KFC France"), NOVO BL (jointly "Seller") signed the Framework Agreement, under the terms of which AmRest would acquire 15 equity restaurants run by KFC France in the French market and AmRest Opco and KFC France would sign the standard KFC International Franchise Agreement for each restaurant.

The purchase price was approximately EUR 33.3 million.

Estimated revenues of the restaurants in 2017 amounted to EUR 40 million.

Also on 26 July 2018, AmRest Opco and KFC France signed the Development Agreement setting forth the development plans of the KFC brand in France. According to the agreement AmRest intends to open in the French market about 150 KFC restaurants by end of 2023.

In the opinion of the Group there is a great potential for growing KFC brand in Western Europe. Acquisition of several 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.

AmRest took over from KFC France all 15 equity restaurants between mid-September and early November 2018.

Acquisition of BACOA brand

On 16 July 2018 AmRest Tag, S.L.U. ("AmRest Tag", which is an indirect 100% subsidiary of AmRest Holdings SE) signed the Binding Offer (the "Offer") with Bloom Motion, S.L. and Mr. Johann Spielthenner (jointly the "Seller"), determining the key terms and conditions on, and subject to which, AmRest Tag would be willing to enter into definitive Share Purchase Agreement ("SPA") with the Seller and acquire from the Seller 100% of the share capital of the companies Bacoa Holding, S.L. and Black Rice, S.L. (jointly the "Target Companies").

The Target Companies run a restaurant chain of six burger restaurants under the Bacoa brand in Spain (in Barcelona and in Madrid) operated through both equity and franchise model.

The definitive Share Purchase Agreement between AmRest Tag and the Seller was signed on 31 July 2018. As the result, AmRest Tag acquired 100% of Bacoa Holding, S.L. and Black Rice, S.L. share capital, and effectively a restaurant chain of six burger restaurants under the Bacoa brand in Spain. The purchase price based on Enterprise Value (on the cash-free and debt-free basis) amounted to approx. EUR 3.7 million. In 2017 financial year Bacoa network generated the system sales of approx. EUR 10 million.

Acquisition of Sushi Shop Group SAS

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

The purchase price based on Enterprise Value (on the cash-free and debt-free basis) was estimated at approx. EUR 240 million, of which an equivalent of EUR 13.0 million was to be paid to Mr. Grégory Marciano and Mr. Adrien de Schompré in the AmRest's shares.

Sushi Shop is the operator of the leading European chain of Japanese cuisine restaurants comprising of 165 stores, of which about one third are restaurants run by franchisees. Upscale Sushi Shop restaurants are present in France (72% of the entire business) and in 11 other countries (including Spain, Belgium, Great Britain, Germany, Switzerland, Italy). The Sushi Shop Group's business model is based mainly on the "delivery" (55% of sales) and "take-away" (32% of sales) channels.

The consolidated revenues of Sushi Shop in 2017 amounted to ca. EUR 130 million.

The acquisition was meant to strengthen AmRest's portfolio with a well-established proprietary brand in sushi category. The offer of Sushi Shop shall add substantial leverage on food delivery platforms of the Group.

On 31 October 2018 AmRest announced the completion of the SPA (the "Completion"), after fulfillment of all obligations and obtaining all required approvals.

Share Purchase Agreement – TELE PIZZA, S.A.U.

On 26 July 2018 AmRest Sp. z o.o. („AmRest Poland") and TELE PIZZA, S.A.U. ("Seller") signed a Share Purchase Agreement, pursuant to which AmRest Poland would acquire 100% shares of TELEPIZZA POLAND Sp. z o.o. ("Telepizza Poland") at an estimated price of ca. EUR 8 million. The final purchase price would be determined at the day of closing the transaction.

Telepizza Poland is the master franchisee of Telepizza restaurants across Poland and is fully owned by the Seller. Currently Telepizza Poland operates 95 restaurants, both in equity (33 units) and franchise (62 locations) business model.

In 2017 the network generated system sales of approx. PLN 103 million. The consolidated revenue of Telepizza Poland amounted to about PLN 73.3 million.

Both parties intend to close the transaction within the next couple of months. The completion is contingent upon a number of conditions, including obtaining antitrust approvals, conclusion of a license agreement with the Seller authorizing Telepizza Polska to continue operation of its business and lack of the material adverse change events ("MAC").

As at the date of this report, the transaction has not been finalized.

Investment in Shares of Glovoapp23, S.L.

On July 18 2018 AmRest announced signed the Shareholders' Agreement, Subscription Agreement and Share Purchase Agreement (altogether: "Agreements") with Glovoapp23, S.L., based in Barcelona, Spain ("Glovo") and its existing and new shareholders. Based on the Agreements AmRest acquired a tranche of newly issued shares in Glovo as well as purchased a portion of existing shares from certain shareholders of Glovo ("Investment"). As a result of the Investment in the total amount of EUR 25 million, AmRest became co-lead investor holding 10% of total number of Glovo shares. The Investment assured AmRest a board seat in Glovo.

Glovo is one of the key players in digital food delivery on the Spanish market. It is an application that allows to buy, collect and send any product within the same city at a time. It has more than 1 million users and 5 600 associated partners. In Spain, the service is available in the urban areas of ca. 20 cities. Internationally, Glovo operates in the main capital cities in Europe and EMEA, and also in 9 countries of LATAM.

Taking into consideration the growing importance and impact of digital technologies in the consumer foodservice sector and increasing market share of online food-ordering channel, AmRest believes that the partnership with Glovo will strengthen the Group's position in the aggregator and delivery segment. Another investment into digital ventures was a natural decision embodying the AmRest's strategy of achieving the leading position on all the markets of AmRest operation in both dine-in and delivery segment.

Increase of the nominal value of the Company shares and share split

On 21 September 2018, with reference to the resolutions adopted by the General Shareholders' Meeting on 6 June 2018, AmRest informed about the registration by the Commercial Registry (Registro Mercantil) in Madrid of the increase of the nominal value of the Company shares from 0.01 EUR to 1 EUR for each share with charge to share premium reserve "Nominal Value Increase" and subsequent reduction of the nominal value of shares from 1 EUR to 0.1 EUR with exchange ratio of 1:10 without any change in share capital ("Split"). The abovementioned registration took place on 20 September 2018.

In line with a resolution dated 27 September 2018 passed by the Krajowy Depozyt Papierów Wartościowych (KDPW), the registration in KDPW of the Nominal Value Increase was executed on 2 October 2018 while the

Split was executed on 3 October 2018. As a result the total number of Company shares traded on the Warsaw Stock Exchange ("WSE") increased to 212 138 930, each of a nominal value of 0.1 EUR.

Transfer the home deposit to Spain and change of the ISIN code

On 28 September 2018, AmRest informed that in connection with the transfer of the Company's registered office to Spain, AmRest decided to transfer the home deposit of its shares to Spain. The depositary of the Company's shares in Spain would be Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal („Iberclear"), in which the Company's shares would be registered under the Spanish ISIN code ES0105375002. This would not affect the quotations of AmRest shares on the Warsaw Stock Exchange ("WSE").

Due to the change of the ISIN code the trading of AmRest shares was suspended from 4 October to 8 October 2018, inclusive.

On 5 October 2018 Krajowy Depozyt Papierów Wartościowych (the National Depository of Securities in Poland; "KDPW") adopted a resolution, according to which the Management Board of KDPW decided to register 212 138 930 shares of the Company with a nominal value of EUR 0.10 each in KDPW as a secondary deposit under new ISIN code ES0105375002 (hitherto registered in KDPW as home deposit under the code NL0000474351).

Share capital increase through a private placement

On 11 October 2018 AmRest announced that by virtue of the delegation granted by the Ordinary General Shareholders' Meeting held on 6 June 2018, under item thirteenth of its agenda, the Board of Directors of the Company has resolved to carry out a share capital increase excluding pre-emption rights (the "Share Capital Increase") in an effective amount (including nominal amount and share issue premium) of EUR 70 million.

On 12 October AmRest informed about the completion of the private placement process solely addressed to qualified or institutional investors carried out by JB Capital Markets Sociedad de Valores, S.A. (the Sole Global Coordinator) through a book-building process. The offer price of the New Shares had been set at EUR 9.44 (PLN 40.75) per share, with a nominal value of EUR 0.10 per share and an issue premium of EUR 9.34 per share.

Under the Share Capital Increase, the Company issued 7 415 253 New Shares, of the same class and series as the outstanding shares in the Company. Consequently, the total gross proceeds (including nominal value and share issue premium) of the Share Capital Increase amounted to EUR 69 999 988.32, with a total nominal value of EUR 741 525.30 and a total share issue premium of EUR 69 258 463.02.

The New Shares represent 3.50% of the Company's share capital before the Share Capital Increase and 3.38% of its share capital thereafter.

Dual listing in Spain

On 20 November 2018 the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, "CNMV") confirmed that the applicable requirements for the listing on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia of all 219,554,183 ordinary shares of AmRest with a EUR 0.10 face value had been met.

The date of introduction of the Company's shares to trading on the Spanish Stock Exchanges, through the Spanish Automated Quotation System (Sistema de Interconexión Bursátil - SIBE) was 21 November 2018.

(all figures in EUR millions unless stated otherwise)

3. Shareholders of AmRest Holdings SE

To the best of AmRest's knowledge as at 31 December 2018 AmRest Holdings had the following shareholder structure:

Shareholder	Number of shares and votes at the Shareholders' meeting	% of shares and votes at the Shareholders' meeting
FCapital Dutch B. V.*	123 777 447	56.38%
Gosha Holding S.à.r.l**	23 426 313	10.67%
Nationale-Nederlanden OFE	10 718 700	4.88%
Artal International S.C.A.	10 500 000	4.78%
Aviva OFE	7 013 700	3.19%
Other Shareholders	44 118 023	20.10%

** FCapital Dutch B. V. is the majority shareholder of FCapital Lux (holding directly 56 509 547 AmRest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finacces SAPI de CV is the direct majority shareholder of Finaccess Capital, S.A. de C.V. and a subsidiary of Grupo Far-Luca, S.A. de C.V. The direct majority shareholder of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González, is a member of AmRest's Board of Directors.*
*** Gosha Holding S.à.r.l. is a legal entity closely associated with Mr. Henry McGovern and Mr. Steven Kent Winegar, members of AmRest's Board of Directors.*

4. External debt

Grant of the Tranche E and F under the Credit Agreement

With reference to regulatory announcement RB 229/2017 dated 6 October 2017 concerning the credit agreement signed on 5 October 2017 between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. – jointly „the Borrowers" and Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A and Česká spořitelna, a.s. – jointly „the Lenders" ("the Agreement"), on 14 June 2018 AmRest received from Bank Polska Kasa Opieki S.A., being the facility agent of mentioned credit, the Confirmation Statement committing Tranche E of the credit facility in the amount of PLN 280 million. The Confirmation Statement was issued at the request of the Borrowers. Tranche E was dedicated to repayment of the Polish bonds.

On 1 October 2018 AmRest informed about amendment to the Agreement signed on 1 October 2018, which resulted in committing Tranche F of the credit facility in the amount of EUR 190 million. Tranche F was dedicated to finance acquisitions and general purposes of the AmRest Group.

Redemption of 14 000 dematerialized bearer bonds AMRE03300618 series

On 2 July 2018 the Company made a redemption of 14 000 dematerialised bearer bonds AMRE03300618 series, with a par value of PLN 10 000 per one bond and the total nominal value of PLN 140 million (EUR 31.9 million). The bonds were issued by AmRest on 18 June 2013 with the maturity date falling on 30 June 2018. The redemption of the bonds resulted in expiry of all rights and obligations arising from them (according to Art. 74 of the Act on bonds dated 15 January 2015).

Early redemption of 14 000 dematerialized bearer bonds AMRE04100919 series

On 28 September 2018, in accordance with point 4.2 of Terms and Conditions of the Issue of Series AMRE04100919 Bonds, AmRest made an early redemption of 14 000 dematerialised bearer bonds AMRE04100919 series ("the Bonds"), with a par value of PLN 10 000 per one bond and the total nominal value of PLN 140 million (EUR 32.7 million). The Bonds were issued on 10 September 2014 with the maturity date falling on 10 September 2019. The early redemption of the Bonds at the request of the Issuer was carried out by a cash payment in the amount of the nominal value of the Bonds increased by accrued interest and early redemption premium calculated in accordance with point 3 and 4 of the Terms and Conditions of the Bonds Issue. The buyout of the Bonds was refinanced with bank loans. The redemption of the Bonds resulted in expiry of all rights and obligations arising from them (according to Art. 74 of the Act on bonds dated 15 January 2015).

5. Information on dividends paid

Dividends have not been distributed during the 12 months ended 31 December 2018.

6. Changes in the Company's Governing Bodies

On 14 March 2018 AmRest received a confirmation of the registration on 12 March 2018 of its registered office in Pozuelo de Alarcón, Madrid, Spain. Due to that change the corporate structure of the Company has changed into one-tier board system. Currently, the only body which is in charge of governing the Company is the Board of Directors. According to the resolution adopted by the Extraordinary General Meeting of AmRest Holdings SE on 5 October 2017 the composition of the Board of Directors is as follows:

- Mr. José Parés Gutiérrez
- Mr. Carlos Fernández González
- Mr. Luis Miguel Álvarez Pérez
- Mr. Henry McGovern
- Mr. Steven Kent Winegar Clark
- Mr. Pablo Castilla Reparaz
- Mr. Mustafa Ogretici

As at the day of publication of this Report the composition of the Board of Directors has not changed.

7. Changes in the number of shares held by members of the Board of Directors

During the period since 1 January 2018 till the publication date of this Report the following changes occurred with respect to AmRest shares and stock options held by the members of the Board of Directors of AmRest.

To the best knowledge of AmRest, following members of the Board of Directors owned in this reporting period the Issuer's shares: Mr. Henry McGovern, Mr. Carlos Fernández González and Mr. Steven Kent Winegar Clark.

The data as at 31 December 2018 and the date of publication of this Report were impacted by recent increase of the nominal value of the Company shares, share split and share capital increase through a private placement.

As at 31 December 2017 Mr. Henry McGovern held directly 7 234 shares of the Company with a total nominal value of EUR 72.34. On 31 December 2018 (and simultaneously on the date of publication of this report) he held 172 340 AmRest's shares with a total nominal value of EUR 17 234.

As at 31 December 2017 Gosha Holdings S.a.r.l. - the closely associated person of Mr. Henry McGovern and Mr. Steven Kent Winegar Clark (the Company's Board of Directors members) held 2 463 511 the AmRest's shares with a total nominal value of EUR 24 635.11. On 31 December 2018 (and simultaneously on the date of publication of this report) Gosha Holdings S.a.r.l. held 23 426 313 shares of the Company with a total nominal value of EUR 2 342 631.3.

As at 31 December 2017 FCapital Dutch B.V. – the closely associated person of Mr. Carlos Fernández González (member of the Company's Board of Directors) held 11 959 697 AmRest's shares with a total nominal value of EUR 119 596.97. On 31 December 2018 (and simultaneously on the date of publication of this report) FCapital Dutch B.V. held 123 777 447 shares of the Company with a total nominal value of EUR 12 377 744.7.

8. Transactions on own shares concluded by AmRest

The commencement of the purchase of treasury shares for the purposes of execution of the management option plans occurred on the basis of Resolution No. 7 of the General Meeting of the Company of 19 May 2015 concerning the authorisation for the Board of Directors to acquire treasury shares in the Company and the establishment of reserve capital and (replacing it) Resolution No. 9 of the General Meeting of the Company of 6 June 2018 concerning the authorization to the Board of Directors for the derivative acquisition of the Company's own shares made directly by the Company or indirectly through its subsidiaries as well as for the sale of the own shares.

In the period between 1 January 2018 and 31 December 2018, AmRest purchased a total of 926 076 own shares for a total price of approx. PLN 41 million (EUR 9.4 million). During the same period, the Company disposed a total of 588 048 own shares to entitled participants of the stock options plans. As at 31 December 2018 AmRest held 1 586 738 own shares.

9. Basic risks and threats the company is expose to

The Board of Directors 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 Board of Directors of AmRest performed a review, an analysis and a ranking of risks to which the Group is exposed. The main current risks that affects AmRest Holdings SE entity and threats have been summarised in this section. AmRest Holdings SE reviews and improves its risk management and internal control systems on an on-going basis.

Risk related to keeping key personnel in the Group

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.

Currency risk

The results of AmRest Holdings are exposed to currency risk related to transactions and translations into currencies other than the currency in which business transactions are measured in its subsidiaries companies.

AmRest Holdings SE 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.

Dependency on cooperation with minority shareholders

AmRest opens Starbucks restaurants in Poland, the Czech Republic and Hungary based on a partnership agreement with Starbucks Coffee International, Inc. The partnership assumes Starbucks Coffee International, Inc. is the minority shareholder of companies operating Starbucks stores in mentioned countries. Therefore, some decisions as part of the joint business activities are dependent on the partners' consent.

The 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. If AmRest fails 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 these companies by acquiring shares from AmRest Sp. z o.o. at a price agreed between the parties based on the valuation of the companies.

Risk of increased financial costs

AmRest Holdings SE is 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, AmRest Holdings SE 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.

Liquidity risk

AmRest Holdings SE is exposed to the risk of lack of financing now of maturity of bank loans and bonds. As at 31 December 2018, AmRest Holdings SE has enough short-term assets, including cash and promised credit limits, to fulfil is liabilities due in the next 12 months.

Tax risk

In the process of managing and making strategic decisions, which can affect the tax settlements, AmRest is exposed to tax risk. All irregularities occurring in tax settlements increase of the risk of dispute in the case of a potential tax control. As part of these risks' minimalization, AmRest takes care of deepening the knowledge of its employees in the area of tax risk management and compliance with respective legal requirements. The Company implements adequate procedures to facilitate the identification and subsequent reduction or elimination of risks in the area of tax settlements.

Moreover, in connection with frequent legislative changes, inconsistency of regulations, as well as differences in interpretation of legal regulations, AmRest uses professional tax advisory services and applies for binding interpretations of the tax law provisions.

Cyberattack risk

Group's operations are supported by wide variety of IT systems, including point-of-sale systems, electronic ordering platforms, supply-chain management systems and finance and controlling tools. Consequently, the Group is exposed to the risk of temporary operational disruption, data integrity risk and/or unauthorized access to confidential data, which may be a result of both intentional cyberattack or an unintentional event. In order to mitigate these risks, the Group established specialized IT-security unit and implemented appropriate cybersecurity risk mitigation tools, including security polices, personnel training and technical prevention countermeasures.

(all figures in EUR millions unless stated otherwise)

10. Average number of employees

The average number of employees, distributed by categories, for the year 2018 is a follow:

Categories	2018
Executive Managers	1.0
Other Managers	1.0
	2.0

The Company did not have any employees during 2017.

The number of employees and members of the board of directors, distributed by gender, as at 31 December 2018 is a follow:

Gender	2018
	Males
Board members	7
Executive Managers	1
Other Managers	1
	9

There are no employees with a disability rating of 33% or higher during 2018.

11. Average payment period

During the year ended on 31 December 2018, the average payment period was 28 days, which is below the maximum established in the regulations.

12.Subsequent Events

There have been no subsequent events that reveal circumstances that already existed on the closing date of the year and have assumed, according to their nature, the inclusion of an adjustment in the figures contained in the annual accounts. There have also been no subsequent events that show conditions that did not exist at the end of the year and that are of such importance that they affect the ability of the users of the annual accounts to evaluate them.

Signatures of the Board of Directors

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

Henry McGovern
Member of the Board

Steven Kent Winegar Clark
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mustafa Ogretici
Member of the Board

Madrid, 27 February 2019

STATEMENT OF RESPONSIBILITY OF AMREST HOLDINGS, SE

The members of the Board of Directors of AMREST HOLDINGS, SE ("**AmRest**" or the "**Company**") on its meeting held on 27 February 2019, and according to article 118 of the reinstated text of the Spanish Securities Markets Act approved by Royal Legislative Decree 4/2015 of 23 October as well as to article 8 b) of Royal Decree 1362/2007, of 19 October, declare that, as far as they are aware, the individual Annual Accounts of the Company, as well as the consolidated ones with its dependent companies, corresponding to the financial year ended 31 December 2018, drawn up by the Board of Directors on the referred meeting of 27 February 2019 and prepared in accordance with the applicable accounting principles, offer a true and fair image of the equity, the financial situation and the results of the Company and the companies within the consolidation taken as a whole, and the complementary management reports of the individual and consolidated Annual Accounts include an accurate analysis of the business evolution and results and of the position of AmRest and the companies within the consolidation taken as a whole, together with the main risks and uncertainties which they face.

The members of the Board of Directors, in proof of compliance, sign this sheet:

Mr. José Parés Gutiérrez
Chairman

Mr. Luis Miguel Álvarez Pérez
Vice Chairman

Mr. Carlos Fernández González
Director

Mr. Henry J. McGovern
Director

Mr. Steven Kent Winegar Clark
Director

Mr. Pablo Castilla Reparaz
Director

Mr. Mustafa Ogretici
Director

I, Eduardo Rodríguez-Rovira Rodríguez, Secretary non-member of the Board of Directors, certify the authenticity of the foregoing signatures of the gentlemen whose name appears in the lower part of the corresponding signature and who are all members of the Board of Directors of the Company.

Madrid, on 27 February 2019.

D. Eduardo Rodríguez-Rovira Rodríguez
Secretary non-member of the Board of Directors of AmRest Holdings, SE

Mr. Eduardo Rodríguez-Rovira Rodríguez, in the name and on behalf of AMREST HOLDINGS, SE ("**AmRest**" or the "**Company**"), a Spanish company with Tax Identification Number (N.I.F.) A-88063979, in his capacity as Secretary non-member of the Board of Directors of the Company,

CERTIFY

I. That the documentation sent to the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) through the CIFRADOC/CNMV electronic mailing service (i.e., the AmRest Annual Accounts and Management Report (*Informe de Gestión*), both individual and consolidated, for the year ended 31 December 2018, drafted by the Board of Directors at its meeting on 27 February 2019 for approval by the General Shareholders' Meeting, as well as the statement of responsibility), are copies of the original documentation drawn up by the Board of Directors of the Company and signed by all its members at its meeting on 27 February 2019.

II. That the Annual Accounts and the Management Report (*Informe de Gestión*) of the Company, both individual and consolidated, for the financial year ended 31 December 2018 sent through the electronic delivery service CIFRADOC/CNMV correspond to those audited by KPMG Auditores, S.L.

III. That the audit reports on the Annual Accounts corresponding to the financial year ended 31 December 2018, made available to the directors and sent by electronic mail CIFRADOC/CNMV, are copies of the originals signed on 28 February 2019 by Mr. Carlos Peregrina, partner of KPMG Auditores, S.L., auditor of the Company's accounts.

And for the record, I issue this certificate in Madrid, on 28 February 2019.

Amrest Holdings, SE

VºBº / Approved

Mr. José Parés Gutiérrez Chairman of the Board of Directors	Mr. Eduardo Rodríguez-Rovira Rodríguez Secretary non-member of the Board of Directors