AMREST HOLDINGS N.V.

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Datum	27 juni 2008
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Geachte mevrouw, mijnheer,

Bijgaand sturen wij u het getekende formulier voor "fysieke deponeringen financiele verslaggeving" en geconsolideerde jaarrekening 2007 betreffende bovengenoemde vennootschap ter deponering.

Mocht u vragen of opmerkingen hebben naar aanleiding van het bovenstaande, aarzelt u dan niet contact met ons op te nemen.

Met vriendelijke groet,

AmRest Holdings N.V.

Bijlagen

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Annual Report 2007

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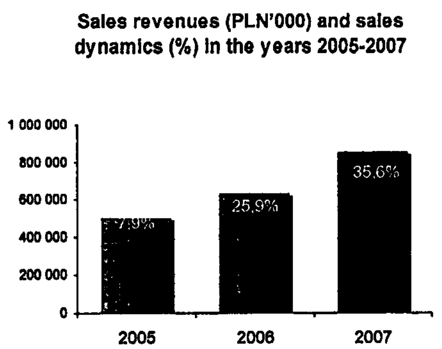
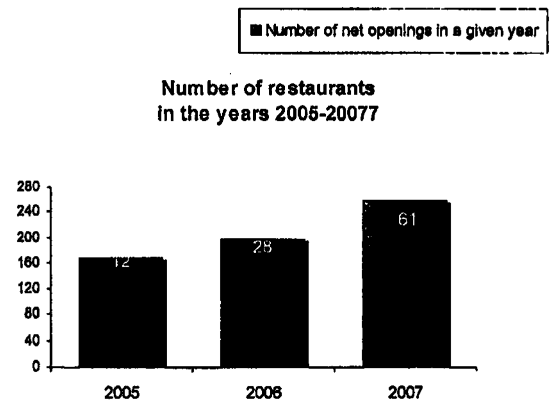
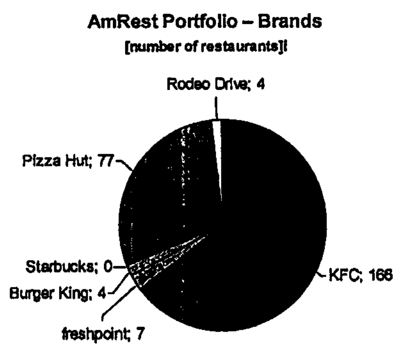
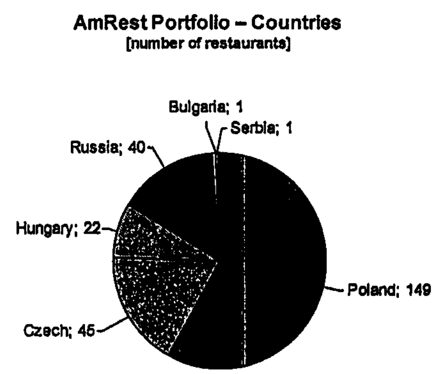
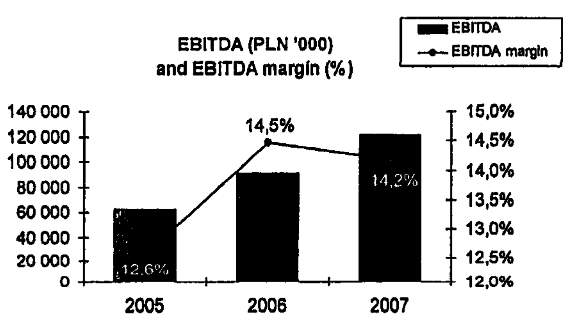
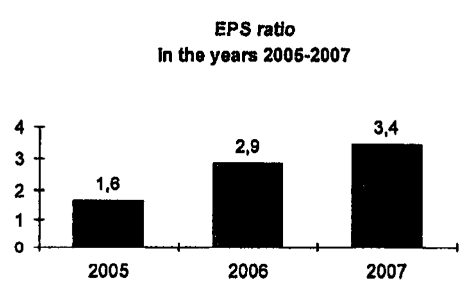












2. Description of the Company

2.1. Basic services provided by the Group

AmRest Holdings N.V. ("AmRest") manages 6 restaurant brands in 6 countries of Central and Eastern Europe. According to our corporate culture "Everything is possible!" (Wszystko Jest Możliwe!), every day nearly 9 thousand AmRest employees deliver craveble taste and exceptional service at affordable prices.

AmRest operates its restaurants in two restaurant sectors: Quick Service Restaurants (QSR) – KFC, Burger King, Starbucks and freshpoint and Casual Dining Restaurants (CDR) – Pizza Hut and Rodeo Drive. In 2007 two new brands were added to the Company's portfolio, Burger King and Starbucks, and three new countries – Russia, Serbia and Bulgaria have now joined Poland, the Czech Republic and Hungary.

AmRest restaurants provide on-site catering services, take away services, drive-in services in special sales points and telephone deliveries. The AmRest restaurant menus include brand dishes prepared from fresh products in accordance with the original recipes and with KFC, Pizza Hut, Burger King and Starbucks chain standards, and dishes prepared on the basis of proprietary ideas (freshpoint and Rodeo Drive).

AmRest is the franchisee of Yum! Brands Inc. in respect of KFC and Pizza Hut brands. Burger King restaurants also operate on a franchise basis following from an agreement concluded with Burger King Europe GmbH. Starbucks restaurants are opened by joint-venture companies AmRest Coffee (82% AmRest and 18% Starbucks), which have the rights and licences to develop and manage Starbucks restaurants in Poland, the Czech Republic and Hungary. Rodeo Drive and freshpoint are AmRest's proprietary brands, therefore, sales in those restaurants are not charged with franchise fees.

a) Restaurants in the *Quick Service Restaurants (QSR)* segment

KFC is a quick service restaurant network serving various dishes based on the unique taste of chicken. The largest part of KFC products sold are meals comprising various pieces of chicken in the traditional Kentucky version, based on the original Colonel Sanders recipe, and in the hot version - Hot& Spicy. Hot Wings are also a product which is characteristic for KFC. KFC also offers fresh salads, which vary depending on the season, cakes and deserts, hot and cold drinks. The chicken prepared in KFC is freshly marinated and crumb-coated every day at the restaurant, which results in the highest quality flavour and quality of the served dishes. Suppliers of chickens to KFC meet the highest EU standards and products are delivered to each restaurant many times during the week.

In terms of revenues and the number of restaurants, KFC AmRest is one of the largest network restaurant operators in Central and Eastern Europe. Restaurants built by AmRest in 2007 include both free standing restaurants, adapted to providing quick service to drivers, and restaurants located in shopping centres with common premises for customers, and restaurants with their own customer service premises. KFC restaurants have also been established in those towns where they had not been present before.

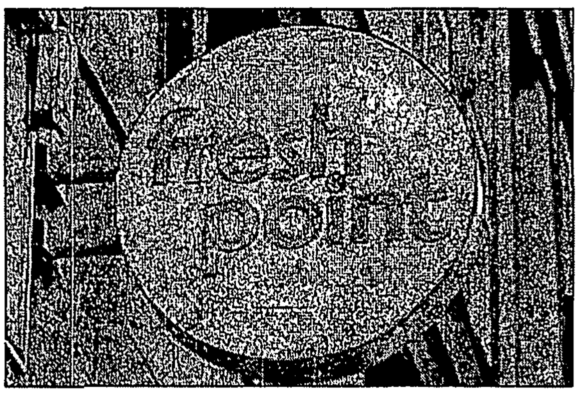
In 2007, KFC continued operations aimed at increasing its customer value. With the introduction of Qurrito to the KFC menu, a new platform of grilled products was launched. In most KFC restaurants in Poland and the Czech Republic a free-of-charge WiFi on-line access was launched. Additionally, in most KFC restaurants in Poland and part of the Czech Republic, a "Free Refill" option is now available in respect of the drinks served in the restaurant. It is worth emphasizing the launch of the Trio Box in 2007. This is a set meal based on juicy parts of boneless chicken served warm with unique sauces. Along with Trio Box, KFC began introducing new packaging which will gradually come into use in 2008.

In 2007 KFC also began changing its restaurant image in the direction of "Fast Casual". The change is aimed at ensuring higher comfort in spending time in the restaurants depending on customer needs. So-called club zones were introduced, where customers may enjoy the unique flavour of KFC chicken sitting in comfortable armchairs or on leather sofas, in the company of their friends or relations. At the same KFC has retained the capability of servicing large traffic and significant numbers of customers. The changed restaurants bear the new KFC logo.

KFC is one of the largest partners of the Corporate Social Responsibility foundation. 1% of its profits each month is earmarked for charity purposes aimed at improving the lives of the most underprivileged children in North-West Poland.

The freshpoint sandwich chain is targeted at people who lead a busy life but who would nevertheless like to eat healthy food. freshpoint sandwiches are a fresher and healthier alternative to eating out. The freshpoint chain offers a wide range of various breads and rolls, fresh ingredients and various sauces.

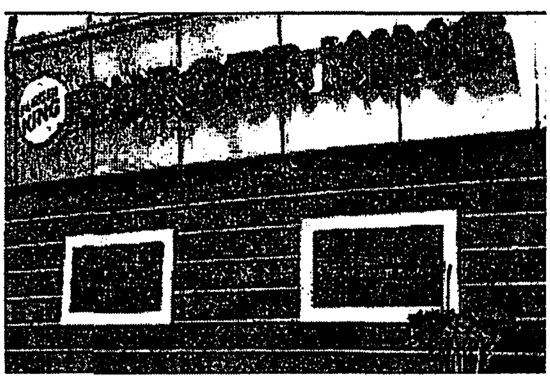
All the ingredients of the menu are offered in a comfortable form enabling easy consumption in the restaurant or as take-away. The freshness of the freshpoint sandwiches is ensured by using natural ingredients and the possibility of watching the preparation of each sandwich ordered. The bread used to prepare the sandwiches is fresh as it is baked on site. freshpoint restaurants offer sandwiches with meat, and vegetarian – with fresh vegetables and cheese.



After opening, in 2007, 4 new freshpoint restaurants – 3 in Warsaw and 1 in Wrocław – AmRest decided to discontinue developing the brand until the results of the existing restaurants achieve a satisfactory level and in which new markets and new AmRest, Burger King and Starbucks brands achieve their critical mass. Currently the Company operates 7 freshpoint restaurants – all of them located in Poland.

At the beginning of March 2007 AmRest signed a Development Agreement with Burger King Europe GmbH related to developing and operating Burger King restaurants in Poland. Adding the Burger King brand to the AmRest portfolio represents the Company's entry to the largest QSR sector. Burger King is the second largest quick service restaurant network in the world. Currently there are more than 11 thousand Burger King restaurants in more than 65 countries.

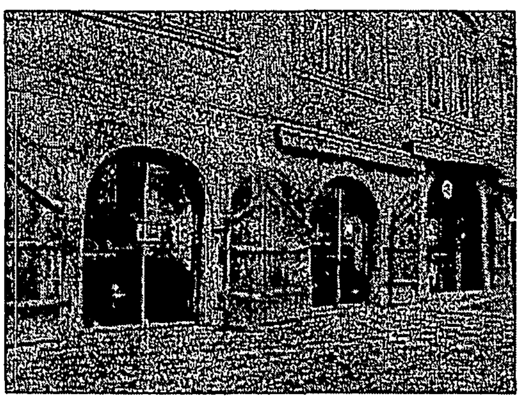
The first Burger King restaurant was opened with a great success in May 2007 in Warsaw. In Poland there are already 5 restaurants under the Burger King logo – 4 of them are located in Warsaw, and 1 in Wrocław. At the beginning of 2008 a Letter of Intent was signed relating to developing and operating Burger King restaurants in Bulgaria. Currently negotiations are in progress to determine the content and terms and conditions of the Development Agreement and Franchise Agreement to be signed for operations in this country.

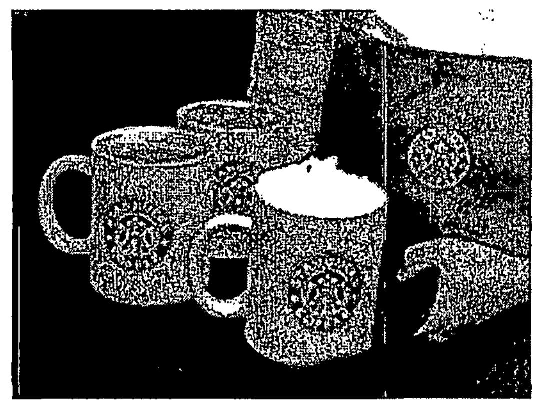


The products on the menu of Burger King restaurants – bigger, tastier, flame grilled burgers – are addressed especially to customers aged 18-35. Apart from the *Whopper*, which is the key Burger King product, the restaurants offer a wide range of salads and chicken sandwiches. Also, Burger King's "Have It Your Way" allow customers to personalize their Whopper to their taste. Burger King's mission is to deliver to customers the unique taste of flamed grilled burgers, served in a friendly and comfortable atmosphere.

In May 2007, joint venture agreements were signed with Starbucks Coffee International, Inc. ("Starbucks") relating to cooperation in the area of developing and operating Starbucks stores in Poland, the Czech Republic and Hungary. The parties decided to establish three separate Joint Ventures ("AmRest Coffee") in each of the 3 countries. AmRest will take up 82%, and Starbucks 18% of the share capital of the Joint Venture Companies (RB 23/2007 dated 25 May 2007). In June Drew O'Malley, the former KFC Brand President, took up the position of Brand President of Starbucks.

Starbucks is the leading purveyor of premium coffee globally, currently comprising over 13 thousand stores. AmRest's experience in Central and Eastern Europe, its high quality operations, its developed network of suppliers, and the global domination of Starbucks in a dynamically developing specialty coffee segment, is the lever which the joint ventures of both companies intend to apply.





For AmRest Coffee, 2007 was the year for preparing the structure and basis for operation before launching the Starbucks brand in Central and Eastern Europe. In this period a management, financial and legal team dedicated to the brand was established. The team together with the members of the staff of the first Starbucks store participated in training conducted in Seattle, at the Starbucks Coffee International head office. The success of the Starbucks brand is based to a large extent on the concept of a 'Third Place' – a comfortable and relaxing ebvironment outside home and work (the *Starbucks Experience*). The culminating point of the preparations made in 2007 was successfully opening the first Starbucks store in the very heart of Prague in January 2008.

In 2008, AmRest Coffee will further develop the Starbucks brand in Central and Eastern Europe, and the preparations made in 2007 will support the expansion of Starbucks in the Czech Republic, Poland and Hungary in the next few years. The opening of the first Starbucks store in Poland is planned in the second half of 2008.

b) Restaurants from the *Casual Dining Restaurants (CDR)* segment

Pizza Hut is one of the largest chains of casual dining restaurants in Central and Eastern Europe; such restaurants ensure waiter service and a wide variety of different dishes. In Poland, the Pizza Hut chain has been present for 15 years. The brand strategy is to strengthen the long-term advantage of the restaurants in order for them to become the favourite "casual dining" brand in each town and city where they are present. Operations in this respect relate to three major areas: the product, the service and the atmosphere.

The products offered by Pizza Hut respond to the quickly changing expectations of customers and are included in the "Pizza – Pasta – Salad" offer. The richness of flavours, a world-wide culinary art, freshness and lightness were the key assumptions behind the subsequent product promotions.

The first promotion entitled "New Italian Menu" was a festival of pasta and products inspired by Italian cuisine – which is very popular among clients. The next line of 14 kinds of pizzas ("The Whole World in Pizza Hut") allowed customers to "travel" through the cuisines from different parts of the world and strengthened the brand's position as "pizza expert". Another promotion "Become acquainted with new Tastes" was the answer to a summer line of products based on a variety of fresh vegetables accompanied by bruschetta prepared with fresh pastry in various flavours. In 2007 the promotion of "Cheesy Bites" was very popular with the customers. This was an innovative pizza surrounded by 24 pastry balls with baked cheese.

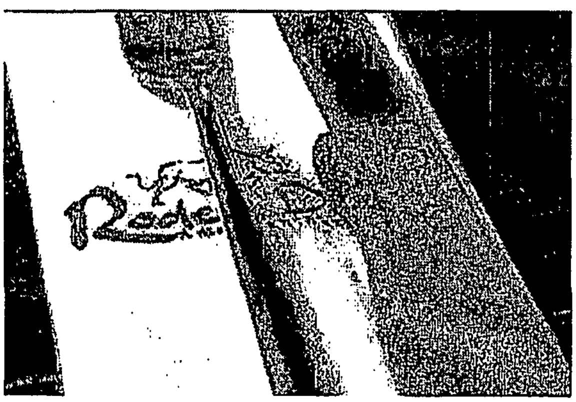
Many of the ideas remained on the menu – such as 8 new pizzas, a new flavour of pasta, Alfredo with chicken and a very popular lemonade prepared with fresh lemons. Among Pizza Hut's regular offers are thick crust and classic pizzas, a "no limits" salad bar, lasagna and pasta.

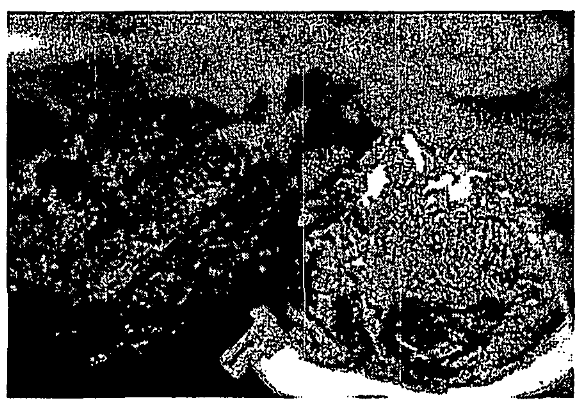
Under the "Excellent service, every time" slogan in the prior year Pizza Hut conducted several analyses aimed at enhancing and establishing systems to ensure the best possible service for customers. These included, among other things: reviving the Mysterious Client assessment system (CMS – customer monitoring system); revising the system for training staff and managers; harmonizing the structure of regional trainers responsible for direct support of restaurants; intensive recruitment activities based on a new recruitment profile; the "ask&act" programme consisting of direct contacts with the customers and collecting feedback on restaurants; the WOW programme – a service programme based on "small positive surprises".

Work on the ambiance – appointing "customer experience managers" – helped Pizza Hut to systematically plan activities related to work on the internal design and other elements for creating the atmosphere of a casual dining restaurant. The systematized operating plan has been realized since the beginning of 2008, and its key elements will be tested during this year's refurbishments of the largest flagship restaurants and in the newly-opened restaurants.

Rodeo Drive (American Bar & Grill) is a *casual dining* restaurant serving dishes based chiefly on grilled meat and a wide variety of drinks. Rodeo Drive is a place where you can eat lunch, have business meetings and evening parties with friends and family. The décor of the restaurant refers to the American tradition – wooden benches, tables, beams on the ceiling, stone elements on the walls, "ranch" gadgets: ranchers' hats, saddles, cart wheels. The grill, in full view of the visitors, is an element which distinguishes this place and emphasizes the character of the restaurant. The restaurants are located in attractive locations and are capable of servicing up to 200 guests at once.

Rodeo Drive means real American food – the food of the true cowboy. The signature dish is beefsteak grilled over a slow fire. Another very popular dish is grilled spare ribs served with BBQ sauce, chilli, garlic or honey. The Rodeo Drive menu also includes a large selection of soups, salads, burgers, side dishes and desserts.





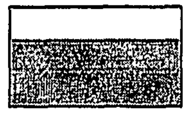
After opening 2 new Rodeo Drive restaurants – in Warsaw, at ul. Nowy Świat and in Poznań, in Stary Browar in 2007 – AmRest decided to discontinue further development of the brand until the results of the existing restaurants reach a satisfactory level and new markets and new AmRest, Burger King and Starbucks brands achieve critical mass. Currently, the Company operates 4 Rodeo Drive restaurants – 3 located in Poland and 1 in the Czech Republic.

c) New markets

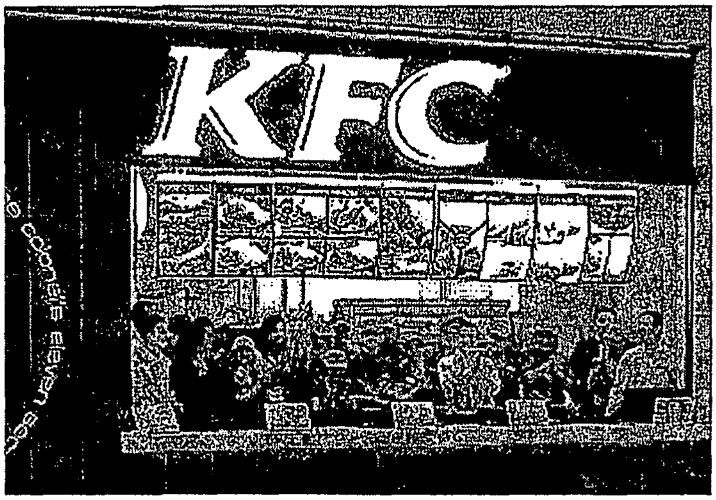
At the end of the first half of 2007, a full year of operations of the Hungarian restaurants (acquired in June 2006) in the AmRest structures was completed. Currently, 13 KFC restaurants and 9 Pizza Hut restaurants operate in Hungary, and all of them are run by AmRest. Under the restructuring program of the Hungarian business adopted upon the purchase transaction, in 2007 eight new KFC and one new Pizza Hut restaurant were opened. At the same time, 4 Pizza Hut restaurants were closed.

The key aim in 2007 was the construction of a solid team of people to become the foundation for the further faster development of the KFC and Pizza Hut brands on the Hungarian market. Since the beginning of the year, as a result of external and internal recruitment, over 70 new managers were employed. Moreover in the period, among other things as a result of additional training and acquiring new suppliers, further improvement was achieved in the quality of products and customer service. In the second part of the year, the basic version of the new sales system (POS) was introduced – and will achieve full functionality by the end of 2008.

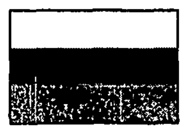
In 2008, a further increase in KFC brand awareness among customers is planned, among other things by starting the first KFC television campaign in Hungary and finalization of the process of refurbishing the oldest and largest restaurants located in Budapest.



In November 2007 the first KFC AmRest restaurant on the Bulgarian market was opened in Sofia and it was a huge success. Additionally, in January 2008 a Letter of Intent was signed relating to opening and running Burger King restaurants in Bulgaria. Based on the positive results of the first KFC restaurant, preparations began to open consecutive restaurants on this market of both brands.

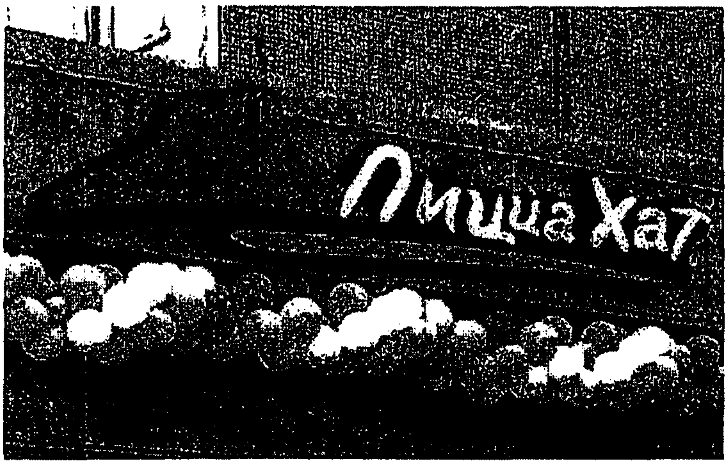


The main aim in 2007 was to build a KFC and Burger King team, develop local suppliers and prepare for a central distribution system. The quickly developing Bulgarian market is a new experience for AmRest –for the first time, operations are being conducted by the Company on a market on which other KFC operators are already functioning. This experience will be used on other markets, such as the Russian market, where AmRest engages in operations in a similar environment.

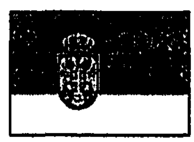


After acquiring 41 Rostik's–KFC and Pizza Hut restaurants in Russia, in July 2007 AmRest actions concentrated on defining the development strategy for these brands on the Russian market, preparing an integration plan for the operating systems and other areas supporting operations (IT, finances, procurement, human resources, etc.). The main purpose of all those actions was to establish a foundation on which future growth may be built. The integration process is very efficient, due to – among other things – the fact that Pizza Nord (currently AmRest Russia) operated in the prior years on solid operating and structural foundations.

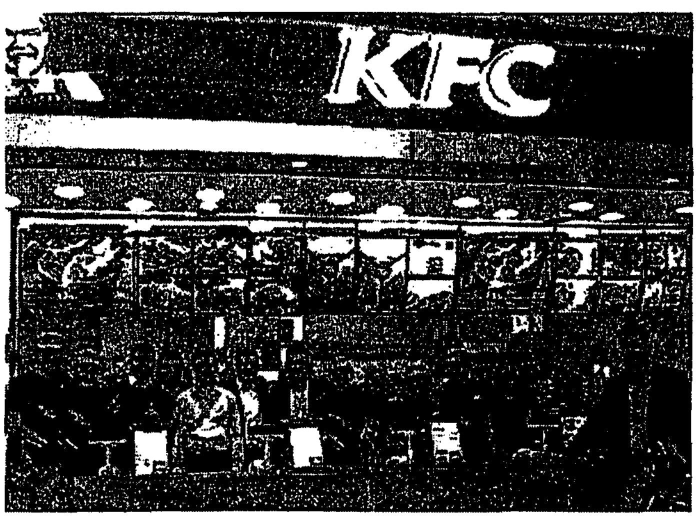
The good organizational condition of the subsidiary in Russia allows AmRest further fast expansion on this market, both through the construction of new and the acquisition of existing restaurants. Russia is a very dynamically developing restaurant market – analysts assess a 30% growth per annum. St. Petersburg and Moscow – the two most dynamically developing Russian agglomerations - will remain the main areas of development. In Moscow actions are concentrated around intensive expansion, so as to achieve critical mass – most of the restaurants acquired together with Pizza Nord are located in St. Petersburg. Currently the Company is in the process of taking over several small operators of Rostik's-KFC restaurants – in the first quarter of 2008 final agreements will be signed relating to a total of 14 restaurants located in Moscow. AmRest will take up full control over the restaurants upon the actual transfer of the lease rights relating to particular locations.



In the foreseeable future, AmRest Russia – apart from further expansion – will concentrate on implementing the new sales system (POS). The new system will contribute to improving the speed of service and will enable fast and effective access to operating data. Additionally, the Company concentrates on building a team in Moscow availing itself of human resources from other AmRest Group countries.



In November 2007 in Belgrade, the first KFC restaurant on the Serbian market was opened accompanied by enormous interest from customers. After opening the first restaurant, despite its satisfactory results, the number of restaurants in Serbia was not increased. Further steps on the market will depend on the development of the current political situation in Serbia.



2.2. Structure of revenues

2007 was another year of increase in sales revenues for the AmRest Group – an increase of 35.6% was noted (PLN 853.4 million in 2007 compared with PLN 629.3 million in 2006). To compare, the CAGR ratio for sales in the years 2004–2007 amounted to 22.6%. The high sales dynamics was achieved mainly thanks to the systematic increase in sales in the existing restaurants and the sales revenues earned by the chain of restaurants in Russia. In the second half of 2007 sales in Russia amounted to PLN 57.3 million.

The AmRest Group generates most of its revenues in the Quick Service Restaurants (QSR) segment – KFC, Burger King and freshpoint. Revenues from the QSR segment comprised 78.9% of the Company's total sales in 2007 (similarly to 2006). At the same time the sales dynamics in this segment was 35.8%. The other segment of AmRest, Casual Dining Restaurants (CDR), includes such restaurants as Pizza Hut and Rodeo Drive. CDR segment sales amounted to 21.1% of the Company's total sales in 2007 (similarly to 2006). In this segment sales dynamics amounted to 35.0%. Restaurants operating in the QSR segment had a 79.2% share in the total increase in sales and CDR restaurants a 20.8% share.

Table: Structure of AmRest sales by business segment

	2007		2006	
SEGMENTS	**PLN'000**	**Share (%)**	**PLN'000**	**Share (%)**
Quick Service Restaurants	673 646	78.9%	496 233	78.8%
Casual Dining Restaurants	179 709	21.1%	133 093	21.2%
Total	**853 355**	**100.0%**	**629 326**	**100.0%**

In Poland, in 2007, AmRest generated 64.9% of its sales compared with 69.2% in 2006. The share of the Czech Republic dropped from 27.4% in 2006 to 22.6 % in 2007. Hungarian restaurants had a 6.7% share in the annual sales of AmRest.

The sales dynamics of Polish restaurants in the first half of 2007 amounted to 27.1% compared with 12.0% in respect of Czech restaurants. Restaurants operating in Poland had a 52.7% share in the total sales increase, restaurants in the Czech Republic 9.3%, restaurants in Russia 25.6% and restaurants from other countries 12.5%.

Table: Structure of AmRest sales by country

	2007		2006	
COUNTRY	**PLN'000**	**Share (%)**	**PLN'000**	**Share (%)**
Poland	553 692	64.9%	435 718	69.2%
Czech Republic	192 974	22.6%	172 247	27.4%
Russia	57 332	6.7%	-	-
Other	49 357	5.8%	21 361	3.4%
Total	**853 355**	**100.0%**	**629 326**	**100.0%**

The Company's sales are characterized by seasonality. The lowest sales were achieved by restaurants in the first quarter of the year, due to the smaller number of business days in February and lower number of visitors to restaurants. The second quarter of the year, in which higher results are achieved due to improved weather conditions, and the positive impact of the month of June when the holidays begin, is second. The best results are achieved at the turn of the third and fourth quarters of the year. In the third quarter of the year a material factor with an impact on the very good results is the increased tourist traffic. The autumn period is traditionally associated with a large number of customer visits to restaurants and in effect, good sales results. In the last months of the year the Christmas season is very visible and restaurants located in shopping centres generate exceptionally good results.

2.3. Customers

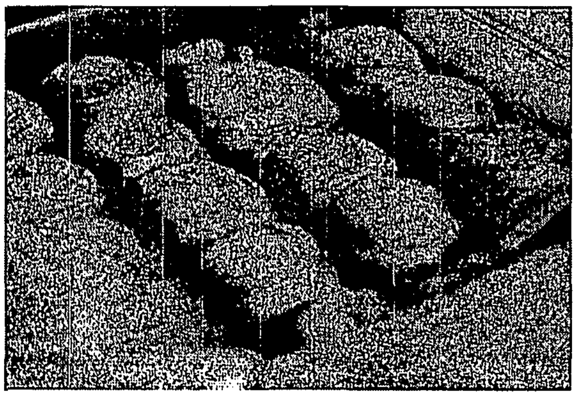
AmRest products are directed at a wide circle of individual clients via a chain of proprietary restaurants located in Poland, the Czech Republic, Hungary, Russia, Serbia and Bulgaria, mainly located in cities or in their vicinity.

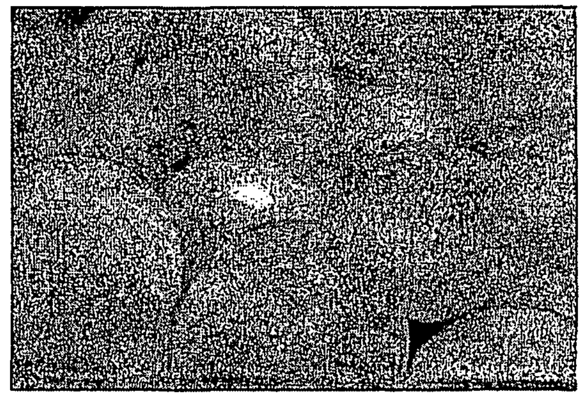
In Poland which represents ca. 65% of revenues of the AmRest Group, the target group of potential KFC clients are people aged between 15 and 39 who comprise about 74% of all the restaurants' guests. Around 70% have at least secondary school education and over 61% live in towns with a population or more than 20 000. The key target group of Pizza Hut customers, about 73%, are people aged from 15 to 39. About 69% of Pizza Hut customers have at least secondary school education and 64% of them live in towns with more than 20,000 inhabitants.

2.4. Suppliers

2007 was a special year for the food market in Poland, AmRest's key market, and for the world as a whole. Prices of basic components used in food production, i.e. cereals, milk and oils noted a large increase which translated into the prices of end products. The main reason for the increased pressure on prices of foodstuffs is the increased demand of the fuel markets (biofuels) and the increased consumption of China and India. An additional factor which strengthens this trend is the system of production limits in the European Union and the droughts in Australia and South Europe.

Despite unfavourable trends on the global markets, the AmRest Group is able to increase its competitive edge in this area by applying appropriate actions. The strategy for purchasing foodstuffs and packaging by AmRest is based on the following criteria: ensuring quality, a high level of services and competitiveness on the market – after the first two conditions have been met.





The increase in competitiveness on the market was achieved by:

- central distribution which allows AmRest to consolidate purchases and price negotiations as well as direct cooperation with food and packaging manufacturers and – first and foremost – creating a system whereby restaurant employees may concentrate on the end consumer. In 2007, companies which do not have central distribution systems were significantly affected by the increase in prices at each stage;

- cooperation with suppliers who have implemented or are implementing a vertical integration system. This is especially significant in the case of chicken production – such a solution means that the cost of raw materials, i.e. fodder, is the factor with a real impact on the final manufacturing cost. The vertical integration system allows the Company access to data which enables it to determine the optimum manufacturing costs of a chicken – from the stage of an egg right up to the final product;

- consolidation of purchases by exporting products of AmRest suppliers to the Yum! system in Western Europe and Russia. This allows suppliers to invest in new technologies and achieve economies of scale;

- consolidation of purchases at the level of raw materials – knowing specific parameters of production AmRest is able to negotiate raw material prices for its suppliers which means an increase in scale in this respect and the ability to make purchases at the right time.

The strategy described above, despite the increase in food prices on the restaurant market, allowed AmRest to significantly increase its competitive edge on the market. The main assumptions of this strategy are constant and will be continued in the foreseeable future.

The most important tasks with which AmRest will have to deal in the area of supplies and procurement include: McLane opening a second warehouse in Czeladź, consolidating raw material purchases, developing central distribution and the supply base in Russia and Bulgaria and launching the import of key products from the USA and the Argentine to Russia.

The list of largest AmRest suppliers:

McLane – distributor in Poland

Agropol Food – supplier of chicken in the Czech Republic

Drobimex – supplier of chicken in Poland

E.S.T – distributor in the Czech Republic

Pepsi – drinks

Konspol – supplier of chicken in Poland

Huhtamaki – packaging

Lactalis – cheeses

Bona Agra – vegetables

Stoever – french fries

2.5. Employment level

In the years 2007-2005 employment in the Group was as follows (balance as at the end of particular years):

Table: Employment in AmRest (2007-2005)

Year	2007	2006	2005
Restaurants	8 516	6 659	5 609
Administration	280	179	112
Total	**8 796**	**6 838**	**5 721**

2.6. Changes in management

From the beginning of 2007 the following changes were noted in the manner of managing the enterprise and the Group:

With reference to good practices and corporate governance rules in 2007 AmRest extended its ethical program by the code of Ethics ("the Code"). The Code supplements basic corporate values and constitutes a set of rules and ethical standards. The purpose of the document is to present behaviours that are acceptable and unacceptable within the Company. The rules and standards written up refer to relations with customers, suppliers, counterparties, media, local authorities and communities in the areas where AmRest operates. The rules also relate to internal relations within the Company. Each AmRest employee is obliged to acquaint himself with the guidelines of the Code and act in accordance with them. Additionally, the Management Board of AmRest appointed an Ethics Committee. The Committee's task is to administer and interpret the rules and investigate and resolve any doubtful or disputed issues relating to the Code.

In 2007, AmRest structures prepared for a significant increase in the pace of growth – as of 2008 the Company plans to open 100 restaurants a year. Therefore, the Development Department has been significantly strengthened and newly established teams were dedicated to the new brands, Burger King and Starbucks.

Due to the launch of two new brands in the AmRest portfolio, Burger King and Starbucks, as of 1 June 2007 significant changes took place in the area of human resources. Drew O'Malley, the former KFC Brand President in AmRest, took up the position of Brand President of Starbucks. Olgierd Danielewicz, formerly responsible for introducing the Burger King brand to Poland assumed the position of Brand President of KFC. Daniel Kasper, formerly Director General of Spar Poland Sp. z o.o. became the leader of the Burger King brand.

Additionally, in October 2007, there were changes in the management of two AmRest proprietary brands – Rodeo Drive and freshpoint. Richard Kerchenko took the position of Brand President of Rodeo Drive. Formerly, Mr Kerchenko had managed several restaurant chains in the USA. Simultaneously, Monika Czyż, who had been the Regional Manager of KFC, became leader of freshpoint,. Norbert Okowiak, who had been managing the freshpoint brand, discontinued working at AmRest.

In February 2008 Wojciech Mroczyński, Chief Financial Officer and Member of the Management Board of AmRest, took up the newly-opened position of Chief Operating Officer. In his new role, Wojciech Mroczyński is responsible for the long-term operating strategy of all restaurant brands of AmRest operating on the Company's key markets. Wojciech Mroczyński remained a Member of the Management Board of AmRest. At the same time, the newly-established position of Financial Director was taken up by Piotr Boliński, who until then had been the Group's Financial Controller. This change has strengthened the operations of AmRest and is at the same time another significant step in the realization of the Company's strategy aimed at achieving domination in the Quick Service and Casual Dining restaurant sector in Central and Eastern Europe.

3. Management and Supervisory bodies of the Company

3.1. Composition of the Management Board and the Supervisory Board

There were no changes in the principles for appointing and dismissing members of management bodies, or in their competencies.

a) Management Board

The Management Board of AmRest comprises:

Henry McGovern

Wojciech Mroczyński

b) Supervisory Board

On 23 August 2007 a Member of the Supervisory Board of AmRest, Mr Christian Eisenbeiss, resigned as Chairman of the Supervisory Board. Mr Christian Eisenbeiss resigned for personal reasons. After the resignation of Mr Eisenbeiss Mr Donald Kendall Jr. is acting as Chairman of the Supervisory Board.

On 31 March 2008 Mr Per Steen Breimyr, resigned as Member of the Supervisory Board due to a conflict of interests after taking up a new job.

The Management Board of AmRest intends to complete the composition of the Supervisory Board during the Annual General Shareholders' Meeting.

Currently, the Supervisory Board of AmRest comprises:

Donald Macintosh Kendall Sr.

Donald Macintosh Kendall Jr.

Przemysław Schmidt

Jan Sykora

4. FINANCIAL POSITION OF THE COMPANY

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

Table: Financial highlights of AmRest (2005-2007)

(in PLN thousand, unless otherwise stated)	2007	2006	2005
Sales revenue	853 355	629 326	499 810
EBITDA	120 984	91 061	62 850
EBITDA margin	*14.2%*	*14.5%*	*12.6%*
Operating profit (loss)	67 079	44 351	23 298
Operating margin (EBIT margin)	*7.9%*	*7.0%*	*4.7%*
Pre-tax profit (loss)	63 930	48 812	15 339
Pre-tax margin	*7.5%*	*7.8%*	*3.1%*
Net profit (loss)	48 693	38 525	22 111
Net margin	*5.7%*	*6.1%*	*4.4%*
Equity	291 423	155 875	123 090
Return on equity (ROE)	*22%*	*28%*	*31%*
Total assets	582 603	321 455	288 941
Return on assets (ROA)	*11%*	*13%*	*9%*

Definitions:

- *EBITDA margin – operating profit before amortization and depreciation (EBITDA) to sales;*
- *Operating margin – operating profit to sales;*
- *Pre-tax margin – profit before tax to sales;*
- *Net margin – net profit to sales;*
- *Return on equity (ROE) – net profit to average equity;*
- *Return on assets (ROA) – net profit to average assets.*

Table: Liquidity analysis (2005 – 2007)

(in PLN thousand, unless otherwise stated)	2007	2006	2005
Current assets	103 786	64 656	64 299
Inventories	11 594	8 134	5 973
Current liabilities	155 342	81 155	73 267
Quick ratio	*0.59*	*0.70*	*0.80*
Current ratio	*0.67*	*0.80*	*0.88*
Cash and cash equivalents	46 873	25 241	31 575
Cash ratio	*0.30*	*0.31*	*0.43*
Inventory cycle (in days)	*4.22*	*4.09*	*4.31*
Trade receivables	33 295	11 460	13 463
Average collection period (in days)	*9.57*	*7.23*	*7.86*
Average operating cycle (in days)	*13.79*	*11.32*	*12.17*
Trade payables	111 550	77 903	54 896
Average payment period (in days)	*40.52*	*38.51*	*38.58*
Cash conversion ratio (in days)	*(26.73)*	*(27.19)*	*(26.41)*

Definitions:

- Quick ratio: current assets less inventories to current liabilities;

- Current ratio: current assets to current liabilities;

- Cash ratio: cash and cash equivalents to current liabilities as at the end of the period;

- Inventory cycle (days): average inventories to sales revenue, times the number of days in the period;

- Average collection period (days): average trade receivables to sales revenue, times the number of days in the period;

- Average operating cycle (days): sum of the inventory cycle and the average collection period;

- Average payment period (days): average trade payables to sales revenue, times the number of days in the period;

- Cash conversion ratio: difference between the operating cycle and trade payables.

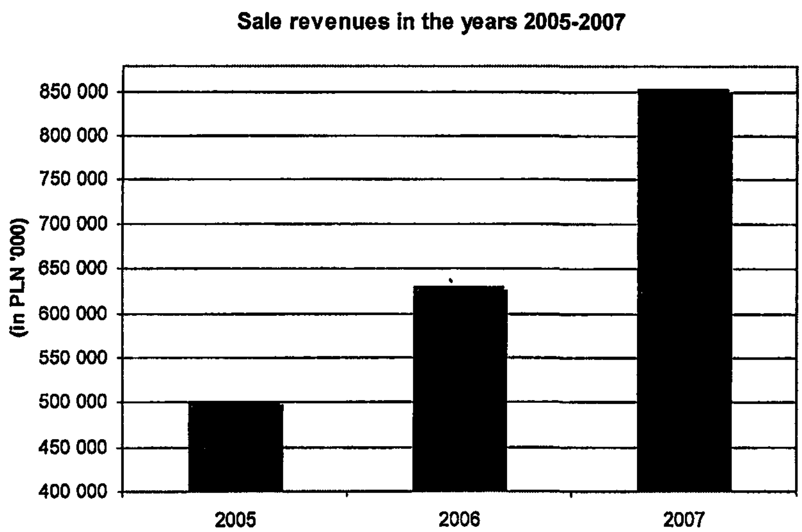
Table: Debt analysis (2005 – 2007)

(in PLN thousand, unless otherwise stated)	2007	2006	2005
Current assets	103 786	64 656	64 299
Non-current assets	478 817	256 799	224 257
Trade receivables	33 295	11 460	13 463
Liabilities	291 180	165 580	165 815
Non-current liabilities	135 838	84 425	92 589
Debt	162 698	73 058	98 761
Inventories to current assets (%)	*11.17%*	*12.58%*	*9.29%*
Trade receivables to current assets (%)	*32.08%*	*17.72%*	*20.94%*
Cash and cash equivalents to current assets (%)	*45.16%*	*39.04%*	*49.11%*
Equity to non-current assets	*0.61x*	*0.61x*	*0.55x*
Debt ratio	*0.50x*	*0.52x*	*0.57x*
Long-term debt ratio	*0.47x*	*0.54x*	*0.75x*
Debt to equity ratio	*1.0x*	*1.1x*	*1.3x*
Debt/ equity	*0.6x*	*0.5x*	*0.8x*
Debt/EBITDA	*1.3x*	*0.8x*	*1.6x*

Definitions:

- *Share of inventories, trade receivables, cash and cash equivalents in current assets – ratio of, respectively, inventories, trade receivables and cash and cash equivalents to current assets*
- *Equity to fixed assets ratio — equity to fixed assets;*
- *Debt ratio – total liabilities and provisions to total assets;*
- *Long-term debt ratio – long-term liabilities to total assets;*
- *Debt to equity – liabilities and provisions as at the end of a given period to the value of equity.*
- *Debt – total long-term and short-term loans and borrowings*

AmRest sales in 2007 amounted to PLN 853 355 thousand and increased by 35.6% compared with 2006. Sales dynamics in 2007 compared with 2006 were higher in the second half of the year and amounted to 39.9%. The high sales dynamics was achieved mainly thanks to the systematic increase in sales in existing restaurants and sales revenues earned by the chain of restaurants in Russia. Sales of Russian restaurants are accounted for in the Group's results as of the third quarter of 2007. Sales in Russia in the third and fourth quarter of 2007 amounted to PLN 57 322 thousand in total.



The sales results in 2007 also account for the negative impact of the falling exchange rates of the Czech crown against the Polish zloty (compared with 2006), of ca. 0.8%, and the positive impact of the strengthening of the Hungarian forint against the zloty of ca. 2.1%.

AmRest is systematically improving its operating profitability. In 2007, the dynamics of restaurant costs were lower than the sales dynamics; therefore, the gross profit margin increased to 13.9% (compared with 13.6% in 2006). In 2007, the lower costs of depreciation and amortization, and food compared to sales had a favourable impact on the results. On the other hand, higher costs of occupancy and other operating expenses, in relation to sales, had a negative impact on margins.

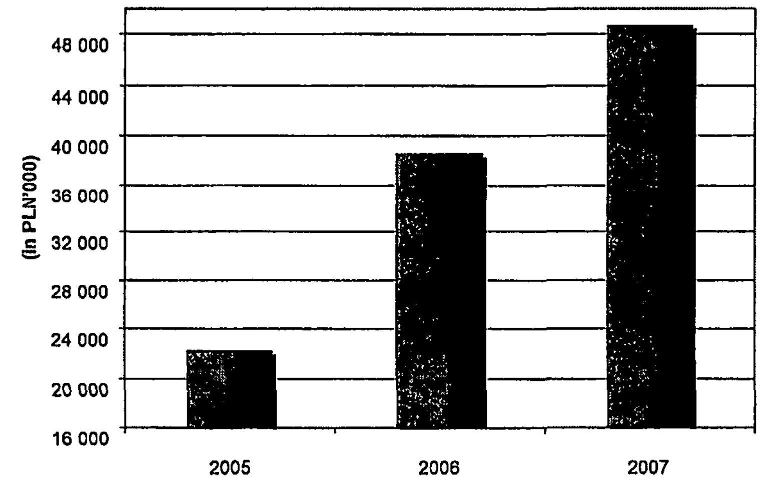
The increase in occupancy and other operating expenses relative of sales is due mainly to the higher costs of lease of the Russian restaurants whose results had not been included in the consolidated AmRest results in 2006. This is related to general trends observed on the Russian real estate market. Accounting for the results of the Russian restaurants in the Group results is also the key reason for the costs of payroll and employee benefits remaining at an almost unchanged level – Russian restaurants are characterized by comparatively lower costs of payroll and employee benefits.

In 2007 food prices compared to sales remained at a level similar to that in 2006. The relative increase in those prices in the fourth quarter of 2007 resulted mainly from their increase on the Polish market.

Operating profit in 2007 increased to PLN 67 079 thousand (51.2% compared with 2006), and EBITDA amounted to PLN 120 984 thousand (an increase of 32.9% compared with 2006). The EBITDA margin in 2007 was 14.2% compared with 14.5% in 2006. The one-off costs related to opening new restaurants (start-up costs) – the number of new restaurants in 2007 was twice as large as in the prior year – and a relatively lower result on other operations, resulting mainly from sales of real estate in 2006 (PLN 2.0 million), had both mainly the negative impact on EBITDA in 2007.

In 2007, net profit amounted to PLN 48 693 thousand (an increase of 26.4% compared with 2006), and the net profit margin dropped from 6.1% to 5.7%. In 2007, increased interest expense resulting from increased debt had an impact on the result on financing operations. Additionally – apart from increased interest expense – also the one-off IRI loan waiver noted in 2006 (PLN 3.4 million) had an impact on the result on financing operations in 2007 compared with 2006.

Net profit for the years 2005-2007



The relative increase in trade payables and increased financing of operations with trade credit led to a small drop in the quick and current ratios compared with 2006. In 2007 those ratios amounted to 0.59 and 0.67 respectively, compared with 0.70 and 0.80 as at the end of 2006. Due to the fact that the balance of cash and cash equivalents increased at a rate similar to that of short-term payables, the cash ratio as at the end of 2007 remained unchanged compared with the end of 2006.

Thanks to the expanding scale of the Group and knowledgeable management of the supply chain, the level of inventories remained at a level similar to that at the end of 2006. This led to an inventory turnover of 4.2 days in 2007 compared with 4.1 days in 2006. Maintaining the cash conversion ratio at a level similar to 2006 enables the Group to continue financing the current operations with trade credit.

The above liquidity ratios are at a level that ensures uninterrupted operation. Generating surplus cash inflows on a current basis allows efficient servicing of the existing debt and financing of the planned investment expenditure.

The Company's total liabilities increased by 75.9% compared with the end of 2006 and amounted to PLN 291 180 thousand. This is related to a loan drawn in the third quarter of 2007 to finalize the purchase of restaurants in Russia. Equity increased, mainly as a result of the issue of 670,606 shares by AmRest also related to the purchase of Russian restaurants. It increased from PLN 155 875 thousand as at the end of 2006 to PLN 291 423 thousand. Debt to equity increased slightly – from 0.5 as at the end of 2006 to 0.6 as at the end of 2007.

Total assets as at the end of 2007 amounted to PLN 582 603 thousand and increased by 81.2% compared with the balance as at the end of 2006. This was due mainly to an increase in the value of non-current assets related to the take-over of the Russian restaurants and construction of new ones. The acquisition of OOO Pizza Nord (currently OOO AmRest) had an impact on the increase in goodwill from PLN 23 516 thousand as at the end of 2006 to PLN 155 353 thousand.

4.2. Description of key domestic and foreign investments.

The table below presents purchases of non-current assets in 2007 and comparable data for 2006.

Table: Purchases of non-current assets in AmRest Holdings N.V. (2006-2007)

Value in PLN'000		2007	2006
Intangible assets, including:			
	Trademarks	-	-
	Favourable lease agreements	-	1 076
	Licences for the use of Pizza Hut and KFC trademarks	4 853	1 369
	Goodwill	142 696	18 666
	Other intangible assets	3 142	283
Fixed assets, including:			
	Land	-	-
	Buildings	61 309	24 271
	Equipment	47 887	14 998
	Vehicles	204	450
	Other (in consideration of fixed assets under construction)	17 061	20 305
Total		**277 152**	**81 418**

The investment expenditure incurred by AmRest relates mainly to new restaurants and the reconstruction and replacement of the value of non-current assets in the existing restaurants. In 2007, the acquisition of OOO Pizza Nord in Russia also had an impact on investment expenditure. The Company's investment expenditure depends mainly on the number and type of restaurants opened.

Table: Number of restaurants of AmRest Holdings N.V. (2005-2007)

As at	31.12.2007	31.12.2006	31.12.2005
Number of restaurants			
Pizza Hut in Poland	50	52	52
Pizza Hut in Hungary	9	12	0
Pizza Hut in Russia	18	0	0
KFC in Poland	85	79	76
KFC in the Czech Republic	44	43	41
KFC in Hungary	13	5	0
KFC in Russia	22	0	0
KFC in Serbia	1	0	0
KFC in Bulgaria	1	0	0
Burger King in Poland	4	0	0
freshpoint in Poland	7	4	0
Rodeo Drive in Poland	3	1	0
Rodeo Drive in the Czech Republic	1	1	0
Total	**258**	**197**	**169**
Total opened restaurants	72	33	25
Total closed restaurants	11	5	13
Net increase in the number of restaurants in the reporting period	**61**	**28**	**12**

In 2007, 2 new brands were added to the Company's portfolio, Burger King and Starbucks, and 3 new countries – Russia, Serbia and Bulgaria. In this period, the first Burger restaurants were opened and the first Starbucks store was opened in 2008, in January. In 2007, as a result of acquiring OOO Pizza Nord in Russia, the operator of 41 restaurants, the company began operating in Russia. AmRest also started operating in Serbia and Bulgaria where it opened the first KFC restaurants, operating via its subsidiaries.

In 2007, 72 restaurants were added to the portfolio of AmRest, mainly as a result of acquiring restaurants in Russia. Among the 42 KFC restaurants added to the AmRest portfolio in 2007, 22 were acquired after taking over OOO Pizza Nord in Russia. The number of Pizza Hut restaurants increased by a total of 20 restaurants of which 18 were acquired as a result of taking over the Russian business. Additionally, 4 freshpoint restaurants were opened, 2 Rodeo Drive restaurants and 4 Burger King restaurants.

In the period discussed above, a total of 11 restaurants were closed. The closures resulted mainly from reorganization of the Pizza Hut brand in Hungary and multibrand concepts (KFC and Pizza Hut in one location) in Poland.

In 2007, investments were financed mainly with operating cash flows and a bank loan related to acquiring the business in Russia. In 2007 total capital expenditure of AmRest amounted to PLN 177 801 thousand. The above amount comprises:

- cash expended on acquisitions: OOO Pizza Nord – PLN 70 332 thousand (PLN 69 370 thousand including cash taken up) and Bécsi út. 13 Kft. - PLN 1 900 thousand;
- purchases of fixed assets of PLN 99 262 thousand and intangible assets of PLN 6 307 thousand.

4.3. Description of the structure of key investments and capital expenditure projects

Capital expenditure of AmRest as at 31 December 2007 amounted to PLN 2 353 thousand of which PLN 678 thousand comprises shares in Worldwide Communication Services LLC (WCS), and PLN 1 675 thousand comprises shares in SCM Sp. z o.o. and SCM s.r.o.

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

Mergers and acquisitions

a) Russia

On 21 May 2007, AmRest informed about establishing AA Subsidiary. Details of the transaction are described in Appendix No 4. At the same time, an Agreement and Merger Plan ("Merger Agreement") were signed between AmRest, AA Subsidiary, USSI and Michael Tseytin relating to the acquisition of OOO Pizza Nord, operator of 41 restaurants in Russia (RB 20/2007 dated 21 May 2007). The final conclusion of the Merger Agreement depended, among other things, on AmRest successfully finalizing its due diligence process in respect of USSI and its subsidiaries, and obtaining approval from the shareholders of AmRest. The Merger Agreement was finalized with certain amendments on 2 July 2007 (Appendix No 8). As a result of finalizing the Merger Agreement, USSI merged with AA Subsidiary (AA Subsidiary is the company which is continuing in operation). Before the merger, USSI held a 91% interest in OOO Pizza Nord. The remaining 9%, held by minority shareholders, was acquired by American Restaurants Sp. z o.o., a 100% subsidiary of AmRest.

On 28 June 2007, an Extraordinary General Shareholders' Meeting of AmRest took place. Two companies with at least 5% of the total voting rights at the General Meeting participated: IRI with 4 756 850 voting rights, i.e. 76.87% of votes at the General Shareholders Meeting and 35.24% of the total number of voting rights and ING Nationale-Nederlanden Poland OFE with 750 000 voting rights, i.e. 12.12% of votes at the General Shareholders' Meeting and 5.56% of the total number of voting rights. The General Shareholders' Meeting did not forego any of the items on the agenda and passed resolutions giving consent to AA Subsidiary merging with USSI, the issue of shares relating to a part of the payment following from the Merger Agreement and a change to the Company's Memorandum of Association. The contents of all the resolutions passed are included in the Appendix to RB 30/2007 dated 28 June 2007.

In connection with finalizing OOO Pizza Nord on 2 July 2007, an AmRest Share Loan Agreement was signed by and between IRI ("the Lender") and AmRest ("the Borrower"). On the same date, Annexe No. 3 to the Loan Agreement dated 4 April 2005 was signed. On 3 July 2007 a Bond Issue Agreement was signed by and between AmRest ("the Issuer") and AmRest Poland ("the Bondholder"). On 3 August 2007 AmRest Poland signed a loan agreement with OOO Pizza Nord. Details of this agreement are discussed in Appendix No 5.

On 19 September 2007 AmRest provided information about obtaining confirmation of registration, from the Commercial Chamber in Amsterdam, of changes to the Company's share capital. In accordance with the confirmation received, the capital authorized by AmRest was increased from EUR 150,000 to EUR 160,000 (from 15,000,000 shares to 16,000,000 shares), whereas the capital issued by the Company was increased from EUR 135,000 to EUR 141,706.06 (from 13,500,000 shares to 14,170,606 shares). The nominal value of one share of AmRest is equal to EUR 0.01. After registering the changes, the total number of votes following from all the AmRest shares issued amounts to 14,170,606 (100% of the total number of votes). The above-mentioned changes in the capital of AmRest result from the Company acquiring 100% of shares in OOO Pizza Nord. The increase in authorized capital was approved by the Extraordinary General Shareholders' Meeting of AmRest dated 28 June 2007 by passing Resolution No. 3 (RB 30/2007 dated 28 June 2007). The issue of 670,606 shares (an increase in capital issued to 14,170,606 shares) was approved by the Extraordinary General Shareholders' Meeting of AmRest dated 28 June 2007 by passing Resolution No. 2 (RB 30/2007 dated 28 June 2007). The issue is the result of concluding the Share Loan Agreement on 2 July 2007 (RB 36/2007 dated 3 July 2007) by and between AmRest and International Restaurant Investments, LLC ("IRI"), the former key shareholder of the Company. The Share Loan Agreement enabled the Company to finalize the share purchase transaction of OOO Pizza Nord (AmRest Russia). The newly issued shares were accepted in deposit by resolution of the National Securities Deposit dated 9 October 2007 after being assigned the code: NL0000474351. On 12 October 2007 the above mentioned shares were admitted to trading in the stock exchange (resolution of the Warsaw Stock Exchange in Warsaw of 10 October 2007). Also on 12 October 2007, 670,606 AmRest shares with a nominal value of EUR 0.01 each were returned to IRI.

On 15 October 2007 AmRest and Andrei Kononchuck and Vitaly Naumenko (jointly: "the Sellers") signed a preliminary memorandum ("Memorandum") relating to the purchase transaction of a 30% share in quick service restaurants Kroshka-Kartoshka, operating in Russia and the Ukraine (RB 64/2007 dated 15 October 2007). The purpose of AmRest as a strategic investor in the transaction was to facilitate further expansion of the Kroshka-Kartoshka network in Russia, the Ukraine and other geographical markets. In February 2008 AmRest provided information about finalizing negotiations relating to the purchase of shares in this chain. On the basis of due diligence completed, it was not possible to reach an agreement on the final structure and key parameters of the transaction, therefore, both parties decided not to continue negotiations.

In October 2007 appropriate preliminary agreements were signed with three entities, OOO Tetra, OOO Fast Food Restaurants Group and KARO a closed joint stock company (RB 62/2007 dated 12 October 2007, RB 66/2007 dated 29 October 2007 and RB 67/2007 dated 29 October 2007), relating to the transfer of assets and the rights to run the restaurants. Th ese companies jointly operate 20 Rostik's-KFC restaurants located in Moscow.

In February 2008 AmRest provided information about signing the final agreements: The Asset Purchase Agreement and the Agreement for Consideration, relating to 9 Rostik's–KFC restaurants run by OOO Tetra. The total amount of the transaction relating to both agreements amounted to USD 12 million. The Agreement for Consideration stipulates that the amounts relating to particular restaurants will be transferred to a separate escrow account and final payments will be made after the actual transfer of lease rights relating to particular locations from Tetra to AmRest. In March 2008 AmRest signed the final agreements: The Asset Purchase Agreement and the Agreement for Consideration, relating to 5 Rostik's–KFC restaurants run by OOO Fast Food Restaurants Group ("FFRG"). The total amount of the transaction relating to both agreements amounted to USD 6.15 million. The Agreement for Consideration stipulates that the amounts relating to particular restaurants will be made after the actual transfer of lease rights relating to particular locations from FFRG to AmRest. The Company will take up full control over the Tetra and FFRG restaurants upon actual transfer of the rights.

b) Hungary

On 19 April 2007 AmRest Hungary acquired shares in Bécsi út 13. Kft. The details of the transaction were described in Appendix No 9. On 7 August 2007 AmRest provided information about an increase in the share capital of AmRest Hungary. After registration of the change, the share capital of AmRest Hungary amounted to HUF 584,000,000. After the change AmRest Poland will remain the 100% shareholder in AmRest Hungary (Appendix No 9). On 3 October 2007 Annexe No. 2 was signed to the loan agreement by and between AmRest Poland and AmRest Hungary. Details of the Annexe were described in Appendix No 9. On 23 April 2008 AmRest provided information about an increase in the share capital of AmRest Hungary. After registration of the change, the share capital of AmRest Hungary amounted to HUF 1,084,000,000. After the change AmRest Poland will remain the 100% shareholder in AmRest Hungary (Appendix No 9).

New brands

a) Burger King

On 8 March 2007 a Development Agreement was signed with Burger King Europe GmbH relating to opening and running Burger King restaurants in the territory of Poland on a franchise basis. The details of the agreement are described in Appendix No 8. On 9 March 2007 AmRest informed of the framework terms of the Franchise Agreements concluded each time on the opening of particular Burger King restaurants. Details of the agreement are described Appendix No 8. The first Burger King restaurant was opened in May 2007 in Warsaw. Currently AmRest is running 4 Burger King restaurants in Poland.

On 21 January 2008 AmRest provided information about signing a Letter of Intent with Burger King Europe GmbH ("BKE") relating to Bulgaria. Both parties confirmed the intention to undertake cooperation in opening and running Burger King restaurants in Bulgaria by AmRest. Currently negotiations are in progress to determine the content and terms and conditions of the Development Agreement and Franchise Agreement relating to this market.

b) Starbucks

On 27 March 2007, AmRest Coffee Sp. z o.o. was established. The details relating to the establishment of the company are described in Appendix No 9. On 25 May 2007 Joint Venture Agreements were signed between AmRest Poland and Starbucks Coffee International, Inc. ("Starbucks") relating to cooperation in the area of development and operating Starbucks stores in Poland, the Czech Republic and Hungary ("the Territory"). The parties decided to establish three separate Joint Ventures in each of the three countries on the Territory. AmRest Poland will take up 82%, and Starbucks 18% of the share capital of the Joint Venture Companies (RB 23/2007 dated 25 May 2007).

On 19 September 2007 AmRest provided information that AmRest Coffee Sp. z o.o. and Starbucks Coffee EMEA B.V. and Starbucks Manufacturing EMEA B.V. (jointly "Starbucks") had signed a Development Agreement, a Joint Service Agreement, a Service Agreement and a Delivery Agreement relating to the right and licence for developing, owning and operating Starbucks stores in Poland (jointly called "the Agreements"). AmRest Coffee Sp. z o.o. is a joint venture established by AmRest Poland, a subsidiary of AmRest, and Starbucks Coffee International, Inc. (82% AmRest Poland and 18% Starbucks Coffee International). The Agreements were concluded for the period to 31 May 2022, with an option to extend them for a further 5 years after meeting specific terms and conditions. AmRest Coffee Sp. z o.o. will be the only entity entitled to develop and run Starbucks stores in Poland in the period of their being in force, but will not have exclusivity rights to some of the institutional locations. The main costs and fees which will be incurred by AmRest Coffee Sp. z o.o. will be as follows: (i) development fee of USD 100 thousand and a fee for the provision of services of USD 300 thousand relating to the initial operating support in respect of Poland, (ii) initial franchise fee of USD 25 thousand per each opened Starbucks store, (iii) a standing licence fee of 6% of the sales revenues from each Starbucks store, (iv) the local marketing fee the amount of which will be set each year by the Parties. AmRest Coffee Sp. z o.o. will be obliged to develop and run Starbucks stores in accordance with the development plan which stipulates the minimum number of sores to be opened each year in the period of the Agreements being in force. Should AmRest Coffee Sp. z o.o. not discharge the duties following from the development plan, Starbucks will be entitled to charge it with a contractual penalty or to terminate the Agreements. The Agreements also include provisions relating to deliveries of coffee and other basic raw materials from Starbucks or other approved or determined suppliers.

Also on 19 September 2007, AmRest Coffee s.r.o. was established. The details relating to the establishment of the company are described in Appendix No 9. On the same day AmRest provided information that AmRest Coffee s.r.o. and Starbucks Coffee EMEA B.V. and Starbucks Manufacturing EMEA B.V. (jointly "Starbucks") had signed a Development Agreement, a Joint Service Agreement, a Service Agreement and a Delivery Agreement relating to the right and licence for developing, owning and running Starbucks stores in the Czech Republic (hereinafter jointly called "the Agreements"). The Agreements were concluded for the period to 31 May 2022, with an option to extend them for a further 5 years after meeting specific terms and conditions. AmRest Coffee s.r.o. will be the only entity entitled to develop and run Starbucks stores in the Czech Republic in the period of their being in force, but will not have exclusivity rights to some of the institutional locations. The main costs and fees which will be incurred by AmRest Coffee s.r.o. will be as follows: (i) development fee of USD 275 thousand, relating to the initial operating support for the Czech Republic, (ii) an initial franchise fee of USD 25 thousand per each opened Starbucks store, (iii) a standing licence fee of 6% of the sales revenues from each Starbucks store, (iv) the local marketing fee the amount of which will be set each year by the Parties. AmRest Coffee s.r.o. will be obliged to develop and run Starbucks stores in accordance with the development plan which stipulates the minimum number of stores to be opened each year in the period of the Agreements being in force. Should AmRest Coffee s.r.o. not discharge the duties following from the development plan, Starbucks will be entitled to charge it with a contractual penalty or to terminate the Agreements. The Agreements also include provisions relating to deliveries of coffee and other basic raw materials from Starbucks or other approved or determined suppliers.

On 3 January 2008 AmRest provided information that American Restaurants Sp. z o.o. ("AmRest Poland") and Starbucks Coffee International, Inc. ("Starbucks") had registered AmRest Coffee Kft with its registered office in Budapest, Hungary. The new company was established to develop and run Starbucks stores in Hungary in connection with the Joint Venture Agreements signed on 25 May 2007. The total amount of the share capital of AmRest Coffee Kft is HUF 3 million. AmRest Poland contributed 82% of the share capital of AmRest Coffee Kft and Starbucks contributed 18% of the share capital to the new company. On the same date AmRest provided information that AmRest Coffee Kft ("AmRest Coffee Hungary") and Starbucks Coffee EMEA B.V. and Starbucks Manufacturing EMEA B.V. (jointly "Starbucks") had signed a Development Agreement, a Joint Service Agreement, a Service Agreement and a Delivery Agreement relating to the right and licence for developing, owning and running Starbucks stores in Hungary (hereinafter jointly called "the Agreements"). The Agreements were concluded for the period to 31 May 2022, with an option to extend them for a further 5 years after meeting specific terms and conditions. AmRest Coffee Hungary will be the only entity entitled to develop and run Starbucks stores in Hungary in the period of their being in force, but will not have exclusivity rights to some of the institutional locations. The main costs and fees which will be incurred by AmRest Coffee Hungary will be as follows: (i) fee for provision of services of USD 275 thousand, (ii) an initial franchise fee of USD 25 thousand per each opened Starbucks store, (iii) a standing licence fee of 6% of the sales revenues from each Starbucks store, (iv) the local marketing fee the amount of which will be set each year by the Parties. AmRest Coffee Hungary will be obliged to develop and run Starbucks stores in accordance with the development plan which stipulates the minimum number of stores to be opened each year in the period of the Agreements being in force. Should AmRest Coffee Hungary not discharge the duties following from the development plan, Starbucks will be entitled to charge it with a contractual penalty or to terminate the Agreements. The Agreements also include provisions relating to deliveries of coffee and other basic raw materials from Starbucks or other approved or determined suppliers.

In accordance with the agreements signed by and between AmRest and Starbucks relating to the development and running of Starbucks stores in Poland, the Czech Republic and Hungary – the first Starbucks store was opened by AmRest Coffee Czech on 22 January 2008 in Prague. The opening of the first Starbucks store in Poland is planned in the second half of 2008.

New markets

a) Bulgaria

On 16 March 2007 AmRest provided information about obtaining the acceptance of Yum!, the franchiser of the KFC and Pizza Hut brands, relating to opening and running restaurants of those bands in Bulgaria. On 27 April 2007 American Restaurants EOOD ("AmRest Bulgaria") was established. The details relating to the establishment of the company were described in Appendix 9. Due to the fact that Yum! brands are already present on the Bulgarian market, currently 11 KFC and Pizza Hut restaurants are operating there in total, AmRest does not have exclusivity rights to the brands in Bulgaria. In the initial phase of the Bulgarian investment the Company will concentrate on developing KFC restaurants. The first restaurant of this brand was opened in November 2007 in Sofia.

On 8 August 2007 AmRest provided information about increasing the capital of its subsidiary American Restaurants EOOD ("AmRest Bulgaria"). After registration of the change, the share capital of AmRest Bulgaria amounted to BGN 1,225,000. After the change AmRest Poland remains the 100% shareholder in AmRest Bulgaria. On 29 January 2008 a loan agreement was signed between AmRest Poland and AmRest Bulgaria. Details of the loan are described in Appendix No 9.

b) Serbia

On 10 September 2007 a Joint Venture Agreement was signed between AmRest Poland and PROFOOD INVEST GMBH ("ProFood") relating to establishing a Joint Venture, whose aim will be to open and operate quick service and casual dining restaurants in Serbia. On the basis of the agreement, on 12 October 2007 both parties signed an agreement setting up AmRest D.O.O. ("AmRest Serbia"), with its registered office in Belgrade, Serbia. AmRest Poland contributed 60% of the share capital and ProFood contributed 40% of the share capital to the new company. The total amount of the share capital of AmRest Serbia is EUR 350 thousand. The Management Board of the new company comprises one representative of AmRest and one representative of ProFood. The Joint Venture Agreement stipulates that the Annual Operating Plan and the Business Plan will be approved each year by the General Shareholders' Meeting. After the end of the fifth year of the Agreement, AmRest Poland will be entitled to repurchase ProFood's share in AmRest Serbia. In November 2007 the first KFC restaurant on the Serbian market was opened in Belgrade.

Other

On 22 May 2007, an Extraordinary General Shareholders' Meeting of AmRest took place. Two companies with at least 5% of the total voting rights at the General Meeting participated: IRI with 4 756 850 voting rights, i.e. 81.85% of votes at the General Shareholders Meeting and 35.24% of the total number of voting rights and ING Nationale-Nederlanden Poland OFE with 750 000 voting rights, i.e. 12.90% of votes at the General Shareholders' Meeting and 5.56% of the total number of voting rights. The General Shareholders' Meeting did not forego any of the items on the agenda and passed resolutions relating to the approval of the financial statements for the financial year 2006, appropriation of the 2006 profit to offset prior years' losses, approving the operations of the Members of the Supervisory Board and Management Board of AmRest. The contents of all the resolutions passed are included in an Appendix to RB 21/2007 dated 22 May 2007.

On 10 December 2007 AmRest provided information about signing an Annexe to the Distribution Agreement dated 2 April 2003 concluded by and between AmRest Poland and McLane Poland Sp. z o.o. with its registered office in Błonie (RB 8/2006 dated 24 March 2006). The Annexe will come into force on 1 August 2008. In accordance with the Annexe, the term of the Agreement was extended by a further 2 years, i.e. until 1 August 2010. At the same time, both parties decided that the term of the Agreement must be extended in writing by 1 December 2009 – otherwise the agreement will expire automatically on 1 August 2010.

On 24 December 2007 the Ministry of Finance decided to extend until 2010 the period for applying a lower 7-percent VAT rate for catering services in Poland (Journal of Laws No. 249, item 1861).

On 17 April 2008 AmRest Hungary and Lekkerland Export-Import Kft ("Distributor") signed the Distribution Agreement. The Agreement is concerning distribution services provided by Distributor to the restaurants operated by AmRest Hungary. The products and ingredients delivered to restaurants come from authorized suppliers and are in line with stringent standards of AmRest and Yum!. Pursuant to the Agreement the fee paid to the Distributor, in lieu of provided services, depends on the value of goods delivered. The Agreement was signed for the period of 3 years with an option to prolong it for another period.

4.5. Planned investment activities and assessment of their feasibility

AmRest's goal is to further develop the core Group brands, KFC and Pizza Hut, by opening new restaurants and increasing sales in the existing ones; developing new brands – Burger King and Starbucks – and engaging in regional expansion by entering new markets in Central and Eastern Europe.

Starting from 2008 AmRest plans to open 100 new restaurants a year. In the foreseeable future, KFC will remain the main driver of growth for AmRest – a total of ca. 50% of all planned openings in 2008. The Polish market, which in 2007 still had the largest share in AmRest sales, will be the Group's key driving force in 2008 – a total of ca. 50% of all openings. AmRest estimates that the burden of development in further periods will be consecutively borne by: the Russian market, Burger King and Starbucks. It should be added that the plan of new openings will be adapted on a current basis to market conditions and the possibilities of acquiring new attractive locations in particular countries.

The average cost of opening a new AmRest restaurant differs depending on location and type of restaurant and amounts on average to PLN 2.3 million. Moreover, the Company stipulates continuing the constant modernization programme of the existing restaurants – in 2008 the AmRest Group plans to spend ca. PLN 50 million on this programme. A large part of the renovation budget will be spent on the modernization operations in Poland.

The AmRest Group intends to spend a significant part of the capital expenditure in 2008 on new IT systems and integration of the systems currently possessed. The key projects will relate to implementing a new sales POS (Point of Sale) system, an ERP (Enterprise Resource Planning) system and a central reporting BI (Business Intelligence) system. The purpose of the new IT systems is to standardize the systems in all countries and achieving a larger automation of business processes. These changes increase the productivity and effectiveness of work in the whole group and enhance efficiency of business controlling and monitoring. The integration and improvement of IT systems will form the basis for the further expansion and growth of AmRest.

The Management Board expects the long-term development to be financed mainly with own funds and additional external finance.

Development of proprietary brands, Rodeo Drive and freshpoint, was suspended at the end of 2007. Currently AmRest has 4 and 7 restaurants of these brands respectively. Further development of AmRest proprietary brands will depend on the restaurants generating satisfactory results and the pace of achieving the critical mass by new markets and new brands (Burger King and Starbucks).

5. AMREST HOLDINGS N.V. IN 2008

5.1. External and internal factors material to the development of the Company in 2008

In the opinion of AmRest's Management Board, the factors with a material impact on the Company's future development and results include:

a) external factors:

- competitiveness – in terms of prices, quality of service, location and quality of food;
- demographic changes, trends in respect of the number of people using the restaurant and the type and number and location of competitors' restaurants;
- changes in the law and regulations which have a direct impact on the functioning of the restaurants and their employees;
- change in the lease prices of the real estate and related costs;
- change in the prices of foodstuffs used to prepare the dishes and change in the prices of packaging materials;
- change in the overall economic condition of Poland, the Czech Republic, Hungary, Bulgaria, Russia and Serbia, and in consumer confidence, the amount of spendable income and individual methods of spending money.

b) internal factors:

- acquiring and preparing the human resources necessary to develop the existing chains of restaurants and open new ones;
- acquiring new attractive locations;
- effectiveness in implementing new chains of restaurants and new products;
- building an integrated computer information system.

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

The Management Board of AmRest is responsible for the risk management system and internal control system as well as for the system of reviewing those systems in terms of operating effectiveness. The systems help in the identification and management of risks which could prevent AmRest from realizing its long-term goals. Nevertheless, the existence of the systems does not allow for the total elimination of the risk of fraud and illicit actions. The Management Board of AmRest reviewed, analyzed and ranked the risks to which the Company is exposed. At the same time, the Management Board reviewed the Company's internal control systems for 2007. The basic risks and threats which are currently present have been summarized in this section. AmRest reviews and enhances its risk management systems and internal control systems on a current basis.

a) Factors outside the Company's control

This risk is connected with the impact of factors outside the Company's control in AmRest's development strategy which is based on opening new restaurants. These factors comprise, among others: the ability to find and ensure available and appropriate locations for the restaurants, ability to obtain the permits required by relevant authorities on time, possibility of delays in opening new restaurants.

b) Dependence on the franchiser

AmRest manages KFC, Pizza Hut and Burger King restaurants as a franchisee; therefore, many factors and decisions relating to the activities in which AmRest engages depend on the restrictions or specifications requested by the franchiser or on its granting respective permission.

The term of all the franchise agreements is 10 years. AmRest is entitled to an option to extend the agreements by another 10 years on condition that the terms and conditions specified in the franchise agreements and other conditions are met; this includes making an appropriate payment for the extension of the agreements. Irrespective of meeting these terms, there is no guarantee that after the first two periods the given franchise agreement will be further extended. In respect of KFC and Pizza Hut restaurants, the first period began in 2000, in respect of Burger King, the first period will begin in 2007, when the first restaurant of the brand is opened.

c) Dependence on joint venture partners

AmRest will open Starbucks restaurants via its Joint Venture Companies in Poland, the Czech Republic and Hungary, on partnership terms, under a joint venture agreement. Therefore, some of the decisions under the mutually agreed policy will depend on the consent of the partners.

Agreements of the JV with Starbucks were concluded for a period of 15 years, with the possibility of extending them for an additional 5 years after the specific terms and conditions have been met. In the event that AmRest does not meet its obligations in respect of opening and running a minimum number of stores, Starbucks Coffee International, Inc. will be entitled to increase its share in the Joint Venture Companies by acquiring shares from AmRest Poland at a price mutually agreed by the parties on the basis of a valuation of the Joint Venture Companies.

d) Non-exclusivity

The franchise agreements which relate to running KFC, Pizza Hut and Burger King restaurants do not include any provisions on granting AmRest any exclusivity rights in a given territory or any other rights on a territory, area or market surrounding the AmRest restaurants. However, in practice, in connection with the scale of AmRest's operations (among other things, a well-developed distribution network), the possibility of a competitive operator arising (in respect of the brands currently maintained by the Company) who would be able to successfully compete with AmRest Group restaurants is relatively small.

In respect of Starbucks restaurants, joint venture companies will be the only entities authorized to run Starbucks stores in Poland, the Czech Republic and Hungary, with no exclusivity rights in respect of certain institutional locations.

e) Lease agreements and the option to extend them

Almost all AmRest restaurants operate in leased facilities. Most of the lease agreements are long-term leases, usually concluded for a period of at least 10 years from the date of commencement of the lease (on the assumption that all the extension options are used, on specific terms, and without taking into consideration the agreements which are periodically renewed if they are not terminated, and agreements for unspecified periods). Many lease agreements entitle AmRest to extend the term of the agreement on condition that the Company meets the terms of the lease. Irrespective of meeting these terms there is no guarantee that AmRest will be able to extend the period of the lease agreements on terms and conditions that are satisfactory from the commercial perspective. Should there be no such option, the potential loss of important locations for the restaurants may have an unfavourable impact on the operating results of AmRest and on its activities.

Moreover, in some instances AmRest may decide to close a given restaurant and terminating the respective lease agreement on cost effective terms may prove impossible. Such a situation may also have a negative impact on the operations and operating results of the Company. Closing any of the restaurants depends on the consent of the franchiser, and it is impossible to know whether such consent will be granted.

In respect of Russian restaurants acquired by AmRest in July 2007, the average period of lease is relatively shorter than in respect of the AmRest restaurants in other countries. This is due to the specific nature of the market.

f) Risk related to AmRest's status as a foreign entity

The Issuer is a joint-stock company established on the basis of the Dutch law, therefore, its relationships with third parties are also subject to that law. Polish investors should be aware that the shareholders' rights following from the Shares are subject to Dutch law and that there are many differences between the Dutch legal regulations relating to companies and the provisions of the Polish Code of Commercial Companies. Lack of knowledge of the Dutch regulations may hamper the execution of Polish investors' rights from the Shares. Moreover, taking into consideration the head office of the Company, investors who wish to make claims in respect of AmRest may have problems with delivering the written statements of claim and with handling the dispute.

g) Risk related to the consumption of food products

Consumer preferences may change in connection with doubts arising as to the health value of chicken meat which is the key component of the KFC menu, or as a result of unfavourable information proliferated by the mass media on the quality of the products, the respective diseases caused by them and the damage incurred as a result of using AmRest restaurants and the restaurants of other KFC, Pizza Hut, Burger King and Starbucks franchisees, as well as in consequence of disclosing unfavourable data obtained by the government or a given market sector on the products served in AmRest restaurants and in restaurants of other KFC, Pizza Hut, Burger King and Starbucks franchisees, health issues and the method of operation of one or more restaurants maintained by AmRest or by its competitors. The risk referred to above is mitigated by using the highest quality ingredients in AmRest restaurants – which come from verified and renowned suppliers, abiding by strict standards in respect of quality and hygiene control and applying state-of-the-art equipment and processes to ensure absolute safety of the dishes.

h) Risk related to the restrictions placed by lenders

In accordance with the loan agreements concluded with ABN Amro, the AmRest Group committed itself to abiding by specific restrictions in respect of the possibility of obtaining loans and advances, incurring capital expenditure, granting security and disposing of assets, as well as committed themselves to maintaining specific values of financial ratios. It is possible that accepting these obligations will significantly limit the possibility of AmRest's engaging in business in the future, and potentially not meeting the requirements may result in the need to repay the loan tranches early, which in turn may have a negative impact on the financial condition and results of operations of AmRest.

i) Risk related to developing new brands

In the first half of 2007, AmRest opened its first Burger King restaurant in Poland. In January 2008, AmRest Coffee opened the first Starbucks store in the Czech Republic. As these are quite new concepts for the Company, there is a risk related to demand for the products offered and their acceptance by consumers.

Additionally, in connection with the currently unsatisfactory results of the Rodeo Drive and freshpoint proprietary restaurant brands, there is a risk of potential asset impairment losses.

j) Risk related to opening restaurants in new countries

The restaurants opened in Bulgaria, Russia, Serbia and Hungary will be the first AmRest restaurants opened in the new geographical and political area. This is connected with a risk of different consumer preferences, lack of good knowledge of the market, risk of legal restrictions which follow from the local regulations and the political risk of the countries.

k) Currency risk

AmRest results are exposed to currency risk related to transactions in currencies other than the measurement currency of particular Group companies. A detailed description of this risk may be found in Note 33.

l) Risk related to implementing new IT systems

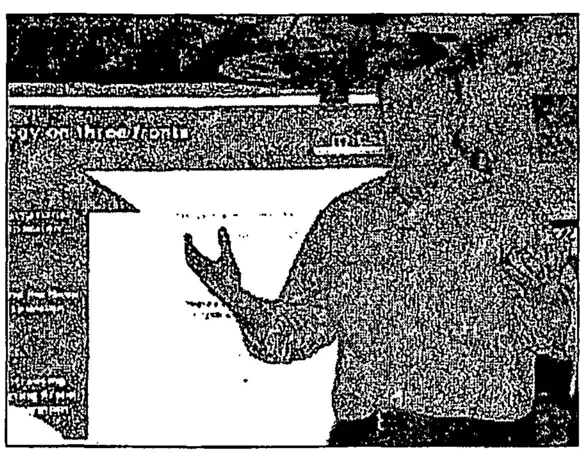
The costs related to implementing new IT systems may in the short term have a negative impact on the Company's results. However, in the long term the expected benefits will have a positive effect on the Group's profitability.

m) End of the temporary period of a lower VAT rate in the Czech Republic

In the Czech Republic, as of the beginning of 2008, the reduced VAT rate (5%), on "take away" catering services will also be increased (to 9%). The change to the VAT rate in the Czech Republic may lead to an increase in the prices of catering services which in turn may lead to a drop in demand.

5.3. The Company's development trends and strategies

In May 2007 AmRest informed about the main assumptions for the Company's current strategy. AmRest plans to achieve the Central and Eastern Europe market dominance of Quick Service and Casual Dining Restaurants through operating scalable (+$50 m in annual sales) and highly profitable (20%+IRR) branded restaurants concepts. AmRest, through its corporate culture "Everything is possible!" (Wszystko Jest Możliwe!), delivers craveble taste and exceptional service at affordable prices.



AmRest assesses that in respect of the brands currently operated by the Company, the current market potential on the markets on which it operates is several times higher than the currently held restaurant portfolio. Therefore, the Company plans to significantly accelerate its growth. By the end of 2009, AmRest plans to triple its sales revenues (compared with 2006). AmRest will realize its strategy by continuing to develop the existing brands in the countries in which it is present, increasing sales of existing restaurants, introducing new brands and further acquisitions in the region.

In the following years, AmRest plans to grow at a rate of ca. 30% per annum in terms of increase in sales revenues. The planned accelerated growth and significantly increased number of new restaurants will put short-term pressure on the net profit margin, related to the increased financial costs (costs related to servicing debt) and the increased one-off costs of opening new restaurants (start-ups). A nother material pillar of the Group's development will be the integration of, and improvement to, the IT systems by the end of 2008.

In 2008 the process of simplifying the holding structure will be continued. Smaller companies will be included in the structures of American Restaurants Sp. z o.o. or American Restaurants s.r.o. – the largest of the holding's companies. Restructuring is aimed at reducing management expenses.

The Company intends to consistently continue actions aimed at increasing its value to the customer. By further enhancing customer service, offering tasty dishes prepared with fresh ingredients and launching new products, AmRest intends to increase customers' awareness of its excellent value for money.

6. MANAGEMENT REPRESENTATIONS

6.1. Truth and fairness of the presented financial statements.

According to AmRest Holdings N.V. Management Board's best knowledge, the financial statements and comparable data presented in the annual financial statements of the AmRest Group were prepared in accordance with the binding accounting principles and present in a true, fair and clear manner the financial position of the AmRest Group and its financial result. The annual Directors' Report included in this document reflects the actual development and achievements and the position of the AmRest Group, including a description of the basic risks and threats.

6.2. Appointment of the registered audit company.

The registered audit company – PricewaterhouseCoopers Sp. z o.o. – which has reviewed the annual consolidated financial statements of the AmRest Group was appointed in accordance with the provisions of the law. Both the registered audit company and the registered auditors who performed the review met the conditions necessary to issue an unbiased and independent report based on the review, in accordance with appropriate regulations.

The contract for the audit of the consolidated financial statements for 2007 was signed on 30 July 2007 with PricewaterhouseCoopers Sp. z o.o., with its registered office in Warsaw, al. Armii Ludowej 14, an entity authorized to audit financial statements entered on the list of registered audit companies with the number 144. The contract related to the audit of the Company's consolidated financial statements for the period from 1 January 2007 to 31 December 2007 and the review of the consolidated financial statements for the period from 1 January 2007 to 30 June 2007. PricewaterhouseCoopers' total fee for the audit and review referred to above for the year 2007 and for other services amounted to EUR 124 thousand. Additionally, PricewaterhouseCoopers Accountants N.V. with its registered office in the Netherlands audits the Company's financial statements in the Netherlands for statutory purposes (separate and consolidated financial statements for the year ended 31 December 2007). The respective fees amounted to EUR 30 thousand.

In 2006 PricewaterhouseCoopers' total fees for auditing the company's financial statements for 2006 and for other services amounted to EUR 130 thousand.

Wrocław, ...

Henry McGovern	Wojciech Mroczyński
AmRest Holdings N.V.	AmRest Holdings N.V.
Board Member	Board Member

APPENDIX NO. 1
- THE COMPANY'S SHAREHOLDERS

The shareholding structure

According to the Company's knowledge, as at the date of submitting the annual report, i.e. as at 28 March 2008, the following shareholders declared holding directly or indirectly (through their subsidiaries) at least 5% of the votes at the Shareholders' Meeting of AmRest:

Shareholder	Number of shares	% share in capital	Number of votes at the Shareholders' Meeting	% of votes
BZ WBK AIB AM *	2,071,198	14.62%	2,071,198	14.62%
ING Nationale – Nederlanden Polska OFE	1,420,392	10.02%	1,420,392	10.02%
BZ WBK AIB TFI	1,201,827	8.48%	1,201,827	8.48%
IRI LLC **	1,199,420	8.46%	1,199,420	8.46%
Michael Tseytin	720,016	5.08%	720,016	5.08%
Pioneer Pekao IM ***	711,921	5.02%	711,921	5.02%
Pioneer Pekao TFI	710,058	5.01%	710,058	5.01%

* BZ WBK AIB AM manages assets including the funds belonging to BZ WBK AIB TFI.
** IRI LLC is a wholly-owned subsidiary of ARC.
*** Pioneer Pekao IM manages assets including the funds belonging to Pioneer Pekao TFI.

Description of changes in the shareholding structure

Since the publication of the latest periodical report (for the fourth quarter of 2007, published on 29 February 2008), the Company has obtained the following information on the changes in the shareholding structure:

As a result of a purchase of shares finalized on 3 April 2008, ING Nationale - Nederlanden Polska Otwarty Fundusz Emerytalny ("ING NN Polska OFE") became the holder of 1,420,392 shares of AmRest, constituting 10.02% of the Company's share capital and giving the right to 1,420,392 votes, i.e. 10.02% of the total number of votes at the Shareholders' Meeting of the Company. Before the change, ING NN Polska OFE held 1,405,329 AmRest shares, which constituted 9.92% of the Company's share capital and gave the right to 1,405,329 votes, i.e. 9.92% of the total number of votes at the Shareholders' Meeting of the Company. At the same time, ING NN Polska OFE informed that "(...) Within the next 12 months, the number of shares held by ING NN Polska OFE might increase or decrease depending on the market situation and the Company's performance. The shares of the Company are purchased for the purpose of investing cash as part of the investing activities of ING NN Polska OFE."

Other information about the shareholding structure

The Management Board of AmRest does not have any knowledge of any agreements (including agreements concluded after the balance sheet date), which could result in future changes in the proportional interests held by the existing shareholders.

The Management Board of AmRest does not have any information about the holders of securities, which are associated with special control powers with regard to the Company.

APPENDIX NO. 2.
- REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARD MEMBERS

In 2007, the annual remuneration of each of the AmRest Supervisory Board members amounted to PLN 20 thousand.

The total remuneration paid to Mr Henry McGovern in 2007 amounted to PLN 1,543 thousand. The total remuneration paid to Mr Wojciech Mroczyński in 2007 amounted to PLN 783 thousand.

Mr Henry Mc Govern and Mr Wojciech Mroczyński participate in the Employee Option Scheme. The following table presents the changes in the number of options for AmRest shares held by members of the Management and Supervisory Boards of AmRest in 2007, in accordance with the Company's knowledge:

	Function*	Number of share options as at 31/12/2006	Additions	Decreases	Number of share options as at 31/12/2007
Henry McGovern	M	110,000	10,000	-	120,000
Wojciech Mroczyński	M	7,000	4,000	-	11,000

* (M) Management Board member, (S) Supervisory Board member

As at 31 December 2007, the total number of participation units (options) held by Mr Henry McGovern was 120,000, of which 100,000 could already be executed. As at 31 December 2007 they amounted to PLN 1,208 thousand.

As at 31 December 2007, the total number of participation units (options) held by Mr Wojciech Mroczyński was 11,000, of which 2,800 could already be executed. As at 31 December 2007 they amounted to PLN 207 thousand.

More details of the option scheme are presented in Note 21 to the consolidated financial statements.

Other information about the Management and Supervisory Board members

The Management Board of AmRest Holdings N.V. would like to inform that there are no agreements between the Company and its Management Board members concerning the payment of compensation in the event of their resignation or dismissal.

Mr Henry McGovern directly holds 108,640 AmRest shares (RB 47/2007 dated 1 August 2007). Additionally, Mr McGovern holds 4,075 AmRest shares through Metropolitan Properties International Sp. z o.o. (MPI) (RB 27/2006 dated 18 July 2006). Mr McGovern also holds the Company's shares through his interest in American Retail

Concepts (ARC), which controls the total capital of International Restaurant Investments, LLC (IRI), a shareholder of AmRest (Note 31 to the consolidated financial statements). Other members of the Management and Supervisory Board of AmRest do not hold any shares of the Company or its related entities.

Mr Donald Kendall Sr. directly holds 108,640 AmRest shares (RB 48/2007 dated 1 August 2007).

APPENDIX NO. 3
- INFORMATION ON THE SYSTEM OF CONTROLLING EMPLOYEE SHARE SCHEMES

Until 27 April 2005, a Profit Share Plan ("Stock Option Plan 1") was in place at the AmRest Group. Under this scheme, the eligible employees received participation units with a value based on a multiple of profit for the financial year, adjusted for factors specified in the principles of the Scheme. In accordance with the principles of the Plan, after completion of the process of admitting the shares of AmRest Holdings N.V. to public trading on the Stock Exchange, the Company was obliged to pay to its employees the value of matured participation units as at the date of admitting the shares to public trading.

The Profit Share Plan was dissolved as of 27 April 2005. A part of the participation units issued, which were eligible for payment as at 27 April 2005, were settled by the Company. The liabilities with respect to the remaining participation units issued, which had not become eligible for payment, and unsettled units, which were eligible as at that date, were taken over by the Company's shareholder ARC and will be settled by it in the future.

In April 2005, the Company announced to its employees the principles of the Stock Option Plan ("Stock Option Plan 2"). The Plan allows the AmRest Group employees to purchase the shares of AmRest Holdings N.V. The total number of shares for which options can be issued shall be determined by the Management Board. It cannot, however, exceed 3% of all the shares in issue. Additionally, in accordance with the Option Plan provisions, a group of employees eligible for participation in the Option Plan, the number of options granted and the dates of granting them are subject to approval by the Management Board. The execution price of the options shall be equal to the market price of the Company's shares as at the date of granting the options, and the vesting period of the rights to options shall be 3 or 5 years.

The schemes referred to above are incentive schemes and are addressed exclusively to key employees and managers of the AmRest Group companies.

Details of the valuation and accounting treatment of these schemes are presented in Note 21 to the consolidated financial statements.

APPENDIX NO. 4
- THE GROUP COMPOSITION

The current composition of the AmRest Group is presented in Note 1a to the consolidated financial statements as at and for the year ended 31 December 2007. The changes in the composition of the Group during the aforementioned period are presented below.

On 27 March 2007, American Restaurants Sp. z o.o. ("AmRest Polska") and Starbucks Coffee International, Inc. ("Starbucks") signed the Memorandum of Association of AmRest Coffee Sp. z o.o. ("AmRest Coffee Polska"). The new company was established for the purpose of developing and operating Starbucks cafes in Poland, in connection with the Preliminary Agreement signed with Starbucks (RB 8/2007 dated 28 March 2007). AmRest Polska holds 82% of the share capital of AmRest Coffee Polska, and Starbucks holds 18% of the share capital of the new company.

Also in March 2007, a company SCM s.r.o. ("SCM Czech Republic"), a subsidiary of SCM Sp. z o.o. ("SCM Poland"), which is an associate of the AmRest Group, was registered in the Czech Republic. SCM Poland holds 40.5% of the shares in SCM Czech Republic. The newly-established Czech company is a supplier of AmRest restaurants, like SCM Poland.

On 19 April 2007, American Restaurants Kft. ("AmRest Hungary"), a subsidiary of AmRest Poland, acquired 100% of the shares in Bécsi út 13. Kft. ("Bécsi"). Bécsi is the owner of an office building located at Bécsi 13 street in Budapest. AmRest Hungary rented office space in this building before. The purchase of this building should allow AmRest to extend its office facilities in Budapest. The details of this transaction are presented in Note 3. The transaction is also described in detail in RB 12/2007 dated 19 April 2007.

On 27 April 2007, AmRest Poland signed the Memorandum of Association of the company American Restaurants EOOD ("AmRest Bulgaria") in Sofia, Bulgaria. AmRest Poland acquired 100% of the shares in this company. AmRest Bulgaria was established to open and operate restaurants in Bulgaria. The establishment of AmRest Bulgaria is described in detail in RB 17/2007 dated 11 May 2007.

In May 2007, the company AmRest Acquisition Subsidiary, Inc. ("AA Subsidiary"), Delaware, USA, was established. AmRest holds 100% of the shares in the newly-established company. AA Subsidiary was established for the purpose of a merger with US Strategies, Inc ("USSI"), New Jersey. USSI was the main shareholder of OOO Pizza Nord, the franchisee and operator of 41 Pizza Hut and Rostic-KFC restaurants in Russia. The establishment of AA Subsidiary is described in detail in RB 19/2007 dated 21 May 2007.

On 19 September 2007, AmRest announced that AmRest Poland and Starbucks Coffee International, Inc. ("Starbucks") signed the Memorandum of Association of AmRest Coffee s.r.o., Prague, the Czech Republic. The new company was established for the purpose of developing and operating Starbucks cafes in the Czech Republic, pursuant to the Joint Venture Agreements signed on 25 May 2007 (RB 23/2007 dated 25 May 2007).

AmRest Polska contributed 82% of the share capital of AmRest Coffee s.r.o., and Starbucks contributed 18% of the share capital of the new company.

On 12 October 2007, AmRest Polska and PROFOOD INVEST GMBH ("ProFood") signed the Memorandum of Association of AmRest D.O.O. ("AmRest Serbia"), Belgrade, Serbia. The company was established based on the Joint Venture agreement signed between the two parties on 10 September 2007. The objective of AmRest Serbia is to open and operate fast food and casual dining restaurants in that country. AmRest Poland acquired 60% of the share capital of the new company, and ProFood acquired 40% of the share capital.

The Group head office is located in Wrocław, Poland. Currently the Group has restaurants in Poland, the Czech Republic, Hungary, Russia, Serbia and Bulgaria.

APPENDIX NO. 5.
LOANS AND BORROWINGS IN THE GROUP

On 2 July 2007, the Loan Agreement with respect to 670,606 AmRest shares was signed between IRI ("the Lender") and AmRest ("the Borrower"). At that time, the Lender held 4,756,850 shares of the Borrower, which constituted 35.24% of the total number of the shares (RB 36/2007 dated 3 July 2007). The purpose of the Loan Agreement was to close the transaction of purchase of shares in OOO Pizza Nord ("AmRest Russia"). On 12 October 2007, 670,606 AmRest shares with EUR 0.01 par value each were returned to IRI.

On 2 July 2007, Annex No. 3 to the Loan Agreement concluded on 4 April 2005 between AmRest Holdings N.V., American Restaurants Sp. z o.o., American Restaurants s.r.o. and ABN AMRO Bank N.V. was signed (RB 37/2007 dated 3 July 2007). The Annex increased the total amount of the credit line by PLN 210 million in connection with the financing of the purchase of USSI. Before Annex No. 3 to the Loan Agreement was signed, the situation on the market associated with the terms and conditions of financing economic entities had been analyzed. A request for proposal was sent to 6 renowned banks. All the banks invited to participate in the RFP process expressed great interest and declared willingness to finance the Group and provide banking services to it. In early June the banks presented their proposals, which were very competitive compared with the terms and conditions of the services used by the Group to date. This process was the starting point of the negotiations of new, better credit terms offered by ABN AMRO Bank. AmRest was successful in the negotiations. In addition to an increased credit limit, the Company obtained better financing terms, which will contribute to substantial savings of the financing costs in 2007 and the following years.

On 3 July 2007, a Bond Issue Agreement was signed between AmRest ("the Issuer") and AmRest Poland ("the Bond Holder"). The purpose of the bond issue is to settle the liabilities resulting from the Merger Agreement. On 3 July 2007, the Issuer issued 100 zero-coupon bonds with PLN 839,107 par value each, for a period of 5 years ("the Bonds"). The issue price of a single Bond was PLN 650,000. The total issue price of all Bonds was PLN 65,000,000 (RB 38/2007 dated 3 July 2007).

On 3 August 2007, AmRest Poland, a subsidiary of AmRest, signed a loan agreement with OOO Pizza Nord (AmRest Russia) for PLN 2.2 million. The loan was granted for a period of one year. AmRest Polska holds 9% of the shares in AmRest Russia. At the same time, on 17 September 2007, a loan agreement was signed between AmRest Poland and AmRest Russia for PLN 15.0 million. The loan is a revolving loan and was granted for a period to the end of the year 2008. It is repayable by the end of 2009.

On 26 September 2007, Pizza Hut s.r.o. signed an annex to the loan agreement with AmRest Poland. The annex extends the date of repayment of the loan until 29 August 2008 and changes (updates) the interest on the loan.

On 3 October 2007, AmRest Poland signed annex no. 2 to the loan agreement with AmRest Hungary. The annex increases the loan amount to PLN 30 million (from PLN 15 million) and changes the date of making the funds available to 31 December 2008 and the loan repayment date to 31 December 2009.

On 31 December 2007, AmRest Polska signed an annex to the loan agreement with the company, Doris. The annex changes the final deadline for utilizing the loan to 31 December 2008.

On 29 January 2008, AmRest Poland signed a loan agreement with AmRest Bulgaria for the amount of PLN 12 million. The loan is a revolving loan and was granted for a period to the end of the year 2008. It is repayable by the end of 2009.

On 11 March 2008 the Credit Agreement was signed between AmRest Poland („Borrower") and ABN AMRO Bank N.V. and ABN AMRO Bank (Polska) S.A. (collectively: „Bank"). Based on the Agreement the Bank grants to the Borrower a credit facility in the amount of PLN 150 million with the final repayment date of 29 August 2008. This amount is provided in the form of renewable credit at the variable interest rate. The credit is available in PLN, USD and CZK. The purpose of the credit is to finance development activities of AmRest Group. At the same time both sides signed the Letter of Intent regarding the preliminary conditions of 7-years Bond Issuance Program, related to short- and middle-term bonds, at the total amount of PLN 300 million. The financing raised from the Bond Issuance Program will be used to repay the credit facility.

With reference to Credit Agreement, dated 11 March 2008, AmRest signed the Corporate Guarantee under which it guarantees to ABN AMRO Bank N.V. and ABN AMRO Bank (Poland) S.A. (collectively: „Bank") the fulfillment of AmRest Poland obligations stemming from the Credit. AmRest Poland is 100% subsidiary of AmRest. The Guarantee will be in force until the ultimate repayment of all obligations resulting from the Credit.

Details of loans and borrowings as at 31 December 2007 are presented in Note 20 to the financial statements.

A specification of all loans granted to related entities is as follows:

a. AmRest Holdings N.V.

Borrower	Currency of loans	in PLN '000	
		Amount of loans granted acc. to agreements*	Amount of loans as at 31/12/2007**
American Restaurants s.r.o.	CZK	22,564	24,188

** translated at the exchange rate of the National Bank of Poland as at 31/12/2007*
*** including accrued interest as at 31/12/2007*

b. American Restaurants Sp. z o.o.

Borrower	Currency of loans	in PLN '000	
		Amount of loans granted acc. to agreements*	Amount of loans as at 31/12/2007**
American Restaurants Kft	PLN	30,000	19,510
OOO AmRest	PLN	17,250	6,130
American Restaurants EOOD	PLN	1,260	1,298
American Ukraina t.o.w.	USD	487	259
Doris Sp. z o.o.	PLN	500	176
IFFP	PLN	985	1,159

** translated at the exchange rate of the National Bank of Poland as at 31/12/2007*
*** including accrued interest as at 31/12/2007*

c. Pizza Hut s.r.o.

Borrower	Currency of loans	in PLN '000	
		Amount of loans granted acc. to agreements*	Amount of loans as at 31/12/2007**
American Restaurants Sp. z o.o.	USD	2,211	557

** translated at the exchange rate of the National Bank of Poland as at 31/12/2007*
*** including accrued interest as at 31/12/2007*

On 25 December 2007, ZAO Raiffeisenbank St. Petersburg approved the guarantee of AmRest in the amount of USD 2.5 million. The guarantee secures the liabilities of AmRest Russia arising from a loan agreement dated 9 March 2007 (as amended on 19 December 2007). The guarantee was issued in place of an earlier guarantee of the company YUM!

As at 31 December 2007, the AmRest Group had the following credit lines available for use:

a) ABN Amro Bank - PLN 37,000 thousand (a long-term loan in PLN)
b) ABN Amro Bank - PLN 20,000 thousand (a revolving loan in PLN/CZK)
c) ABN Amro Bank - PLN 4,489 thousand (an overdraft in CZK)
d) ABN Amro Bank - PLN 10,000 thousand (an overdraft in PLN)

APPENDIX NO. 6.
- A STATEMENT OF COMPLIANCE WITH THE DUTCH CORPORATE GOVERNANCE CODE

As a Dutch law company, AmRest applies most of the provisions of the Dutch Corporate Governance Code, in addition to the Polish corporate governance principles. The Company follows the Dutch corporate governance principles by applying the good practices concerning the Management Board and the Supervisory Board or explaining why it has decided not to apply them. In the event of conflicting guidelines, due to the fact that the AmRest Group shares are listed on the Warsaw Stock Exchange (WSE) and most of its operations are conducted in Poland, the Company has chosen to follow the Polish corporate governance best practices.

AmRest strictly complies with the Dutch corporate governance principles, with the exception of the following good practices, which are not applied in full:

The Management Board

Good Practice – section II.1.1: the role and procedures
The Polish Corporate Governance Principles – Good Practice in Public Companies 2005 (PCGP 2005) do not define any maximum term of office for Management Board members; therefore the Company does not set any limits in this respect.

Good Practice – section II.1.7: the role and procedures
In accordance with PCGP, the Company does not impose any restrictions with respect to its Management Board members being members of Supervisory Boards of other listed companies. Nevertheless, the Supervisory Board of AmRest must be notified about important positions held by the Management Board members.

Good Practice – section II.2.1: the amount and structure of remuneration
Share options constitute a contingent component of remuneration. However, the employee option schemes do not contain any performance criteria, which must be satisfied before options are granted. Employment with the Company is the condition for acquiring rights to execute options. The vesting period ranges from 3 to 5 years. Options are granted at the discretion of the Management Board and such decisions are indirectly related to the performance of the individual employees.

Good Practice – section II.2.9: determination and disclosure of remuneration
The Supervisory Board does not prepare formal remuneration reports, since PCGP do not require it. In accordance with PCGP, the Company discloses the annual remuneration of the Supervisory and Management Board members in its Annual Directors' Report, which is a part of the Annual Report published at the WSE. The remuneration details are also included in the report prepared during the Supervisory Board meeting.

Good Practice – section II.2.11: determination and disclosure of remuneration
Since it is not required by PCGP, no details of the agreements concluded with the Management Board members are disclosed to the public other than the amounts of their total remuneration, which are reported in the annual Directors' Report.

Supervisory Board

Good Practice – section III.1.1: the role and procedures
No official rules and regulations of the Supervisory Board are disclosed to the public. All the responsibilities and competences of the Supervisory Board are defined in the Company's Memorandum of Association.

Good Practice – section III.1.2: the role and procedures
Since the PCGP do not so require, the Supervisory Board does not prepare a report on the Company's operations in a financial year. The Supervisory Board report deals with the Company's financial situation only and is published in the form of a current report immediately before the date of the Shareholders' Meeting.

Good Practice – section III.3.4: the members' knowledge and experience and the Board composition
The Company does not set any limits with respect to the number of Dutch listed companies in whose Supervisory Boards the members of the Company's Supervisory Board are allowed to be members. There are no limitations in this respect in PCGP.

Good Practice – section III.3.5: the members' knowledge and experience and the Board composition
PCGP do not define any maximum term of office for Supervisory Board members. However, in accordance with the Company's Memorandum of Association, a Supervisory Board member can be appointed for a term of up to 5 years.

Good Practice – section III.5.1-13: the composition and role of the three major Supervisory Board committees
No Supervisory Board committees had been set up until the date of this report. In the opinion of the AmRest Supervisory Board, the current scale of the Company's operations does not require such committees to be organized. The establishment of an audit committee and other committees will be considered when the scale of the Company's operations so requires.

Good Practice – section III.7.3: the remuneration
In accordance with PCGP, the Company does not impose any restrictions with respect to holding and trading in securities issued by other Dutch listed companies by the Supervisory Board members. However, the Management Board of AmRest has adopted a resolution imposing certain restrictions on holding and trading in AmRest shares.

Good Practice – section III.8.1: the management structure
PCGP do not include any restrictions concerning the Management Board structure. However, in Central and Eastern Europe it is common practice for the Board Chairman to perform the function of executive officer as well. This solution is applied in the Company's Memorandum of Association.

Good Practice – section III.8.4: the management structure
PCGP do not include any regulations concerning the Management Board structure. However, in Central and Eastern Europe it is common practice for a Board Member to perform the function of executive officer as well. This solution is applied in the Company's Memorandum of Association.

The Shareholders' Meeting

Good Practice – section IV.1.1: the powers
Since PCGP do not contain any detailed guidance on voting, the Company has adopted a solution that the Shareholders' Meeting can adopt any resolution by an ordinary majority of the votes cast, and a quorum is not required.

Good Practice – section IV.3.7: the scope of information provided to the Shareholders' Meeting and the organization of the Shareholders' Meetings
PCGP do not require preparing the *Initial Report for the Shareholders*. Since the AmRest shares are listed on the WSE, before every Shareholders' Meeting the Company publishes a current report containing draft resolutions, which are to be voted on at the Shareholders' Meeting. All the Company's current reports are available on its website.

Good Practice – section IV.3.9: the scope of information provided to the Shareholders' Meeting and the organization of the Shareholders' Meetings
In accordance with PCGP, there is no obligation to provide information about the implemented or considered methods of preventing hostile acquisitions.

Good Practice – section IV.4.1-3: the responsibility of institutional investors
The Company's institutional investors are not legally obliged to publish their practices relating to executing voting rights arising from the shares of listed companies held by them, information about the application of such principles in the financial year or about the votes cast during the Shareholders' Meeting. However, the institutional investors are obliged to inform the Polish Financial Supervision Authority (KNF) about the votes cast at the Shareholders' Meeting and to publish a report twice a year disclosing their current interest in the individual public companies.

Audit of financial statements and the position of an internal and external auditor

Good Practice – section V.3.1: the internal auditor function
It is common practice in Central and Eastern Europe that an internal auditor reports directly to the Management Board. Therefore, the scope and schedule of the internal auditor's work are specified by the Management Board of AmRest.

Appendix No. 7.
- A statement of compliance with the Polish corporate governance rules contained in the "Good practice in public companies 2005" in 2007

In accordance with AmRest's statement of compliance with the Polish corporate governance rules contained in the "Good practice in public companies 2005", published on 30 June 2007 (RB 32/2007), the Company does not comply with 5 out of 48 good practices:

Good Practice 2

> *A request to convene the Shareholders' Meeting and put certain issues on its agenda put forward by duly authorized entities should be justified. Draft resolutions proposed to the shareholders' meeting and other significant materials should be presented to the shareholders with the justification and opinion of the Supervisory Board before the Shareholders' Meeting, so that the shareholders have enough time to review and assess them.*

This practice is applied in part. The Issuer's Memorandum of Association requires the shareholders who request that a shareholders' meeting be held, specify the issues which they want to discuss in detail. A request to add items to the agenda of a meeting which has already been convened should be consistent with the Company's important interests and should be received by the Chairman of the Management or Supervisory Board not later than 60 days before the date of the meeting. The Dutch practice does not require the Management or Supervisory Board to issue opinions on draft resolutions submitted to the shareholders.

Good Practice 20.1 c)

> *Resolutions on the following issues should not be adopted without the consent of the majority of the independent Supervisory Board members:*
> *• any benefits provided to the Management Board members by the Company or any of its related entities;*
> *• granting consent for the Company or its subsidiary to enter into a significant agreement with a related party of the Company, a Supervisory or Management Board member or their related parties;*
> *• selection of a registered auditor to audit the Company's financial statements.*

The Issuer intends to implement Good Practice 20.1 c) in the future.

Good Practice 28

The Supervisory Board should act in compliance with its rules and regulations, which should be disclosed to the public. The rules and regulations should allow the establishment of at least two committees:
- *the audit committee, and*
- *the remuneration committee.*

The audit committee should consist of at least two independent members and at least one member with qualifications and experience in the area of accounting and finance. The responsibilities of the committees should be defined in detail in the Supervisory Board rules and regulations. The committees should provide annual reports on their activities to the Supervisory Board. The Company should make these reports available to the shareholders.

There is no formal remuneration or audit committee. However, their responsibilities are performed by selected Supervisory Board members.

Good Practice 40

The Management Board should determine the principles and procedures of work and division of powers in the rules and regulations, which should be disclosed and available to the public.

The Issuer intends to adopt an appropriate document as soon as possible.

Good Practice 44

The current auditor of the Company or its subsidiaries, or the entity which was the auditor in the period concerned, cannot perform the function of a special auditor.

In accordance with the Issuer's knowledge, the institution of a special auditor is not known in Dutch law.

A description of the most important features of the internal audit and risk management systems in place at the Company is provided in Section 6.2. The composition of the Company's management and supervisory bodies is presented in Section 3.1. Comments on the procedures followed by the management and supervisory bodies of AmRest and their committees are presented above, as part of the comments to the five practices which the Company does not comply with. The procedures followed by the Shareholders' Meeting and its major powers, as well as the rights of the shareholders and the method of their execution are described in the Memorandum of Association of AmRest (Chapter XI), which is available on the Company's website.

APPENDIX NO. 8.
- SIGNIFICANT AGREEMENTS

1) Development Agreement with Burger King

On March 8th 2007, AmRest concluded a development agreement with Burger King Europe GmbH. The Parties to the Agreement are as follows: American Restaurants Sp. z o.o. of Wrocław, Poland ("Developer"), and Burger King Europe GmbH of Zug, Switzerland ("BKE"). Under the Agreement the Developer has a non-exclusive right to open and operate on a franchise basis Burger King restaurants in Poland ("Development Area"). The Developer has a right of first refusal in relation to any new Burger King restaurant in Poland proposed to be developed by BKE itself or through a third party, with the exception of certain institutional locations. AmRest Holdings N.V. ("Guarantor") has guaranteed to BKE that the Developer will perform all it obligations under the Development Agreement. The Development Agreement was concluded for the period of 5 years from the Agreement date. Development Agreement provides, among other things, that:

a) During the 2 years after the first opening of a Burger King restaurant by Developer, BKE shall contribute an amount of 2.5% of the calendar monthly Gross Sales of all Burger King restaurants operated by Developer to the advertising and sales promotion fund mentioned in the Franchise Agreement. During the third year after the first opening of a Burger King restaurant by Developer, BKE shall contribute an amount of 2% of the calendar monthly Gross Sales of all Burger King Restaurants operated by Developer to the advertising and sales promotion fund.

b) During the initial 5 years term the initial franchise fee payable by Developer shall be $25,000 for each Burger King restaurant with a franchise agreement providing for a term of 10 years (plus a further renewal franchise fee of $ 25,000 in case of a 10 years renewal of the franchise agreement at the Developer's option). The initial franchise fee shall be reduced by 50 % for the development of each Burger King restaurant which exceeds the number of Burger King restaurants to be developed and opened by Developer according to the development schedule.

c) The Developer agrees to open and operate Burger King restaurants in strict accordance with the development schedule which includes the minimal numbers of openings in each development year as defined in the Development Agreement.

d) The Developer oblige to comply with the development procedures and requirements as set forth in the Development Agreement. The development procedures includes, among other things, the franchise approval and the site approval.

e) The Developer and the Guarantor shall at all times maintain in strict confidence BKE's operational manuals, marketing information and methods, and all information and knowledge relating to the methods of operating and the functional know-how relating to Burger King restaurants revealed by BKE to the Developer.

f) Developer is responsible for all losses, damages and/or contractual liabilities to third parties arising out of or relating to any of the obligations, undertakings, promises and representations of Developer under this agreement, and for all claims or demands for damages to property or for injury, illness or death of persons directly or indirectly resulting therefrom.

2) Framework Conditions of Franchise Agreements with Burger King

On March 9th 2007, AmRest published information concerning framework terms and conditions of the Franchise Agreements concluded with Burger King Europe GmbH each time a new Burger King restaurant is opened. The parties to the Agreement will be American Restaurants Sp. z o.o. of Wrocław (as the Franchisee) and Burger King Europe GmbH of Zug, Switzerland (as the Franchisor). Under the Agreement, the Franchisee is granted the licence for the use of Burger King's registered trademarks and the Burger King system for the purpose to operate Burger King restaurants. AmRest Holdings N.V. (the Guarantor) guarantees to the Franchisor that the Franchisee will perform all its obligations under the Franchise Agreement. The licence is granted for 10 years from the date on which a given restaurant is launched. The Franchisee has the right to extend the Agreement for another 10 years upon the fulfilment of certain conditions. The Franchise Agreement provides, among other things, that:

a) Franchisee must comply strictly with all Burger King requirements concerning building and premises, signs, equipment, menu, service, hygiene, uniforms, advertising and promotional materials, sources of supply etc.

b) Franchisee must pay monthly continuing fees to the Franchisor equal to 5% of the Gross Sales of the Burger King restaurant operated by Franchisee.

c) Franchisee must pay monthly continuing advertising and sales promotion fees equal to 5% of the Gross Sales of the Burger King restaurant operated by Franchisee.

d) Employees of Franchisee must participate in initial and ongoing training programs as specified by the Franchisor.

e) Franchisee, during the term of the agreement, shall not directly or indirectly engage in the operation of any restaurant, except as licensed by Franchisor, which utilizes or duplicates the Burger King business.

f) Franchisee must comply with all of the other requirements and restrictions set out in the Franchise Agreement.

3) Agreements with Starbucks

On 25 May 2007, Joint Venture Agreements were signed by and between AmRest Polska and Starbucks Coffee International, Inc. ("Starbucks") relating to cooperation in the development and running of Starbucks stores in Poland, the Czech Republic and Hungary ("the Territory"). The parties decided to establish three separate Joint Venture Companies in each of the countries of the Territory. AmRest Poland will take up 82%, and Starbucks 18% of the share capital of the Joint Venture Companies.

On 19 September 2007 AmRest informed that AmRest Coffee, Sp. z o.o. ("AmRest Coffee Poland") and Starbucks Coffee EMEA BV and Starbucks Manufacturing EMEA B.V. (collectively, "Starbucks") signed Area Development and Operation Agreement, Shared Services Agreement, Services Agreement and Supply Agreement regarding the rights and license to develop, own and operate Starbucks stores in Poland (the details of these agreements were discussed in the Directors Report for 2007, Point 4.4)

On 19 September 2007 AmRest informed that AmRest Coffee, s.r.o. ("AmRest Coffee Czech") and Starbucks Coffee EMEA BV and Starbucks Manufacturing EMEA B.V. (collectively, "Starbucks") signed Area Development and Operation Agreement, Shared Services Agreement, Services Agreement and Supply Agreement regarding the rights and license to develop, own and operate Starbucks stores in Czech Republic (the details of these agreements were discussed in the Directors Report for 2007, Point 4.4)

On 3 January 2008 AmRest informed that AmRest Coffee, Kft. ("AmRest Coffee Hungary") and Starbucks Coffee EMEA BV and Starbucks Manufacturing EMEA B.V. (collectively, "Starbucks") signed Area Development and Operation Agreement, Shared Services Agreement, Services Agreement and Supply Agreement regarding the rights and license to develop, own and operate Starbucks stores in Hungary (the details of these agreements were discussed in the Directors Report for 2007, Point 4.4)

4) Merger Agreement – OOO Pizza Nord

On 2 July 2007 the Merger Agreement was finalized between AmRest, AmRest Acquisition Subsidiary, Inc. (the "AA Subsidiary"), US Strategies, Inc. ("USSI") and Michael Tseytin. The Agreement concerned the takeover of OOO Pizza Nord, the operator of 41 restaurants in Russia. As a result USSI merged with AA Subsidiary, which is the company which will continue in operation. Before the merger, USSI held a 91% interest in OOO Pizza Nord. The remaining 9%, held by minority shareholders, was acquired by AmRest Poland.

Based on the Agreement the Preliminary Merger Consideration amounted to USD 47.0 million, made up of two portions:
(i) cash - in the amount of USD 25.4 million (Cash Portion), and
(ii) 427,666 AmRest shares – equivalent of USD 21.6 million (Stock Portion).
In addition to the above, the equivalent of USD 12.0 million will be settled in 242,940 AmRest shares (Additional Stock Portion). The Additional Stock Portion reflects mainly

the fact that merged company will assume USD 10.5 million of long term debt instead of originally estimated USD 21.5 million.

Pursuant to the Merger Agreement all of USSI Shares were converted into and exchanged for the right to receive (i) ninety-one percent (91%) of the Preliminary Merger Consideration, and (ii) one hundred percent (100%) of the Additional Stock Portion. The remaining 9% of the Preliminary Merger Consideration will be paid for the minority (9%) shareholding in OOO Pizza Nord. The minority shareholding in OOO Pizza Nord was acquired by AmRest Poland based on separate purchase and sell agreements with 3 key senior managers of Pizza Nord concluded on 2nd July 2007. Total of 670,606 shares were borrowed from International Restaurant Investments, LLC for the purpose of finalizing the Merger Agreement. The shares will be delivered to the Controlling Shareholder's and three key managers' accounts held with UniCredit CAIB Polska S.A. At the same, pursuant to the Share Pledge Agreements concluded on the 2nd of July 2007, all the shares will be pledged for a period of up to 5 years.

Pursuant to the Agreement, if the Adjustment Period EBITDA is more than 21% of Adjustment Period Gross Sale, the number of shares representing Additional Stock Portion shall be automatically and immediately released to Controlling Shareholder. The remaining Pledged Shares shall be released as follows:

(i) from and after the date falling five (5) days after the Adjustment Period Settlement Date (30 June 2008), one-fifth (1/5) of the remaining pledged shares;
(ii) from and after July 1, 2009, one-fourth (1/4) of the remaining pledged shares;
(iii) from and after July 1, 2010, one-third (1/3) of the remaining pledged shares;
(iv) from and after July 1, 2011, one-half (1/2) of the remaining pledged shares;
(v) from and after the end of July 1, 2012, all of the remaining pledged shares.

Additionally, by virtue of the Agreement, Controlling Shareholder will guarantee the continuity of the current Pizza Nord restaurant lease agreements in the period of 5 years following the end of Adjustment Period (1st July 2008). If any Pizza Nord restaurant shall be closed by the lessor in the above mentioned period, the Controlling Shareholder shall pay AmRest the relevant liability calculated as 91% of Adjustment Period Value attributable by respective restaurant (in proportion to period of forced closure and 5 years).

In connection with the finalization of Pizza Nord takeover on 2 July 2007 a Share Loan Agreement was signed by and between IRI ("the Lender") and AmRest ("the Borrower"). On the same day Annexe No. 3 to the Facility Agreement dated 4 April 2005 was signed. On 3 July 2007 a Bond Issue Agreement was signed by and between AmRest ("the Issuer") and AmRest Poland ("the Bondholder"). On 3 August 2007 AmRest Poland signed a loan agreement with OOO Pizza Nord. Details of all these agreements are discussed in Appendix No 5.

5) Joint Venture Agreement with ProFood Invest GmbH

On 10 September 2007, the Joint Venture Agreement was signed between AmRest Poland and PROFOOD INVEST GMBH ("ProFood"), with regards to form a jointly-owned company ("JVC") which business shall be the development and operation of branded quick service and casual dining restaurants in Serbia (the details of this agreement were discussed in the Directors Report for 2007, Point 4.4 and Appendix No 9).

6) Agreements regarding takeover of Rostik's-KFC operators in Moscow

In October 2007 appropriate preliminary agreements were signed with three entities, OOO Tetra, OOO Fast Food Restaurants Group and KARO a closed joint stock company (RB 62/2007 dated 12 October 2007, RB 66/2007 dated 29 October 2007 and RB 67/2007 dated 29 October 2007), relating to the transfer of assets and the rights to run the restaurants. These companies jointly operate 20 Rostik's-KFC restaurants located in Moscow.

In February 2008 AmRest provided information about signing the final agreements: The Asset Purchase Agreement and the Agreement for Consideration, relating to 9 Rostik's–KFC restaurants run by OOO Tetra. The total amount of the transaction relating to both agreements amounted to USD 12 million. The Agreement for Consideration stipulates that the amounts relating to particular restaurants will be transferred to a separate escrow account and final payments will be made after the actual transfer of lease rights relating to particular locations from Tetra to AmRest. In March 2008 AmRest signed the final agreements: The Asset Purchase Agreement and the Agreement for Consideration, relating to 5 Rostik's–KFC restaurants run by OOO Fast Food Restaurants Group ("FFRG"). The total amount of the transaction relating to both agreements amounted to USD 6.15 million. The Agreement for Consideration stipulates that the amounts relating to particular restaurants will be made after the actual transfer of lease rights relating to particular locations from FFRG to AmRest. The Company will take up full control over the Tetra and FFRG restaurants upon actual transfer of these rights.

7) Annex to the agreement with McLane

On 10 December 2007 AmRest provided information about signing an Annex to the Distribution Agreement dated 2 April 2003 concluded by and between AmRest Poland and McLane Poland Sp. z o.o. with its registered office in Błonie (RB 8/2006 dated 24 March 2006). The Annex will come into force on 1 August 2008. In accordance with the Annex, the term of the Agreement was extended by a further 2 years, i.e. until 1 August 2010. At the same time, both parties decided that the term of the Agreement must be extended in writing by 1 December 2009 – otherwise the agreement will expire automatically on 1 August 2010.

8) Credit Agreement with ABN AMRO

On 11 March 2008 the Credit Agreement was signed between AmRest Poland („Borrower") and ABN AMRO Bank N.V. and ABN AMRO Bank (Polska) S.A. (collectively: „Bank"). The details of this agreement were discussed in Appendix No 5.

9) Distribution Agreement with Lekkerland

On 17 April 2008 AmRest Hungary and Lekkerland Export-Import Kft ("Distributor") signed the Distribution Agreement. The Agreement is concerning distribution services provided by Distributor to the restaurants operated by AmRest Hungary. The products and ingredients delivered to restaurants come from authorized suppliers and are in line with stringent standards of AmRest and Yum!. Pursuant to the Agreement the fee paid to the Distributor, in lieu of provided services, depends on the value of goods delivered. The Agreement was signed for the period of 3 years with an option to prolong it for another period.

10) Major Insurance Agreements Concluded in 2007 by the AmRest Group Companies

In 2007 AmRest Group introduced global insurance program including Poland, Czech Republic, Hungary, Russia and Bulgaria. The program enables the insurance costs' optimization due to the economies of scale.

a) American Restaurants Sp. z o.o.:
- TPL insurance policy (AIG Europe S.A. Branch in Poland)
- property insurance policy, covering property, electronic equipment and business interruption (T.U. Allianz Polska S.A.)

b) American Restaurants s.r.o.:
- TPL insurance policy (AIG Europe S.A. Branch in Czech Republic)
- property insurance policy, covering property and business interruption (AIG Europe S.A. Branch in Czech Republic)

c) American Restaurants, kft:
- TPL insurance policy (AIG Europe S.A. Branch in Hungary)
- property insurance policy, covering property and business interruption (AIG Europe S.A. Branch in Hungary)

d) OOO AmRest
- TPL insurance policy (AIG Insurance and Reinsurance Company)
- property insurance policy, covering property and business interruption (AIG Insurance and Reinsurance Company)

e) American Restaurants EOOD:
- TPL insurance policy (AIG Europe S.A. Branch in Poland)
- property insurance policy, covering property and business interruption (AIG Europe S.A. Branch in Poland.)

Appendix No. 9.
- Agreements with Related Parties

1) On 27 March 2007 the Article of Association of AmRest Coffee Sp. z o.o. was signed. AmRest Poland has 100% ownership of AmRest Coffee Poland. The new company was established in relation to the cooperation with Starbucks Coffee International, Inc. regarding the development and operation of Starbucks stores. The nominal value of each share amounts to PLN 100. The total equity of the new company amounts to PLN 50,000.

2) On 19 April 2007 AmRest Hungary acquired 100% shares of Bécsi út 13. Kft.. The total nominal value of equity amounted to HUF 20,000,000. The total price of all acquired shares amounted to USD 650,000. Bécsi út 13. Kft. is the owner of the office building located at Bécsi út 13, Budapest. AmRest Hungary had used to lease the office space at this location. Acquisition of the above mentioned building is aimed to facilitate the extension of AmRest office in Budapest.

3) On 27 April 2007 AmRest Poland signed the Articles of Association of American Restaurants EOOD ("AmRest Bulgaria") based in Sofia, Bulgaria. AmRest Poland subscribed 100% shares of the new company. The total equity of the new company amounts to BGN 25,000. AmRest Bulgaria was established to open and operate restaurants in Bulgaria.

4) On 21 May 2007 AmRest informed about establishment of AmRest Acquisition Subsidiary, Inc. („AA Subsidiary"), a Delaware corporation, a wholly-owned subsidiary of AmRest (RB 19/2007 dated 21 May 2007). AmRest has a 100% ownership of the new company. The purpose of the foundation of AA Subsidiary is to merge with US STRATEGIES, INC. ("USSI"), a New Jersey corporation. USSI was the controlling shareholder of OOO Pizza Nord, a franchisee and operator of 41 Pizza Hut and Rostic-KFC in Russia. As a result of the Merger Agreement finalization, dated 2 July 2007, USSI was merged with AA Subsidiary (the surviving corporation is AA Subsidiary). Before the merger USSI had 91% shareholding in OOO Pizza Nord. The remaining 9%, held by minority shareholders, was acquired by AmRest Poland.

5) On 2 July 2007 the Share Loan Agreement between IRI ("Lender") and AmRest ("Borrower"), regarding 670.606 AmRest shares, was signed. At that time the Lender was the owner of 4,756,850 shares of Borrower which constituted 35.24% of the total number of shares (RB 36/2007 dated 3 July 2007). The objective of Share Loan Agreement was the finalization of the transaction resulting from the Merger Agreement.

6) On 2 July 2007 the Annex No. 3 to the Facility Agreement, between AmRest Holdings N.V., American Restaurants Sp. z o.o., American Restaurants s.r.o. and ABN AMRO Bank N.V., was signed (RB 37/2007 dated 3 July 2007). The Annex increases the total amount of the credit facility up to PLN 210 million in connection with the financing of the acquisition of USSI.

7) On 3 July 2007 the Agreement on Issuance of Bonds between AmRest ("Issuer") and AmRest Poland ("Bondholder") was signed. The objective of the bond issuance is the settlement of obligations resulting from the Merger Agreement. On 3 July 2007 the Issuer issued 100 registered zero-coupon bonds with a nominal value of PLN 839,107 each, with a term of 5 years ("Bonds"). The issue price of each Bond was PLN 650,000. The aggregate issue price for all Bonds was PLN 65,000,000 (RB 38/2007 dated 3 July 2007).

8) On 3 August 2007 AmRest Poland, the subsidiary of AmRest, signed the loan agreement with OOO Pizza Nord in amount of PLN 2,250 thousand. The loan was denominated in US dollars and shall be payable within one year. The loan was granted at an interest rate of 3M WIBOR + 1,5%. AmRest Poland is the owner of 9% OOO Pizza Nord shares.

9) On 7 August 2007 AmRest informed about the increase in the amount of capital of its subsidiary American Restaurants Kft ("AmRest Hungary"). Following the registeration of this change the share capital of AmRest Hungary amounts to HUF 584.000.000. Following this change AmRest Poland is still 100% owner of AmRest Hungary (RB 49/2007 dated 7 August 2007).

10) On 8 August 2007 AmRest informed about the increase in the amount of capital of its subsidiary American Restaurants EOOD ("AmRest Bulgaria"). Following the registeration of this change the share capital of AmRest Bulgaria amounts to BGN 1.225.000. Following this change AmRest Poland is still 100% owner of AmRest Bulgaria (RB 50/2007 dated 8 August 2007).

11) On 10 September 2007 AmRest Poland and ProFood Invest GmbH ("ProFood") signed the Joint Venture Agreement with regards to form a jointly-owned company which business shall be the development and operation of quick service and casual dining restaurants in Serbia. Based on this agreement, on 12 October 2007, both parties signed the foundation agreement of AmRest D.O.O. ("AmRest Serbia"), seated in Belgrade, Serbia. AmRest Poland contributed 60% of share capital of the new company while ProFood 40% of share capital. The total share capital of AmRest Serbia amounted to EUR 350 thousand. The Board of Directors of the new company consists of one AmRest and one ProFood representative. The Joint Venture Agreement foresees that the Annual Operating Plan and Business Plan will be approved annually by General Meeting. After 5th year following the Agreement date AmRest Poland has a right and option to buy ProFood's stake in AmRest Serbia. On 1 November 2007 the first KFC restaurant in Serbia was opened in Belgrade.

12) On 17 September 2007 a loan agreement was signed by and between AmRest Poland and OOO AmRest ("AmRest Russia") for an amount of PLN 15.0 million. The loan is a revolving loan and was granted until the end of 2008. OOO AmRest is a new, registered in October, name of OOO Pizza Nord, AmRest's 100% subsidiary, seated in St. Petersburg.

13) On 19 September 2007 AmRest informed that AmRest Poland and Starbucks Coffee International, Inc. ("Starbucks") signed the Articles of Association of AmRest Coffee, s.r.o., seated in Prague, Czech Republic. The new company has been established in con-

nection with the Joint Venture Agreement signed on May 25, 2007 (RB 23/2007 dated 25 May 2007), to develop and operate Starbucks stores in Czech Republic. The total equity of AmRest Coffee, s.r.o. amounts to CZK 134 million. The nominal value of share amounts to CZK 1,000. AmRest Poland contributed 82% of AmRest Coffee, s.r.o. equity and Starbucks contributed 18% of the new company equity.

14) On 3 October 2007 Appendix No 2 to Loan Agreement between AmRest Poland and AmRest Hungary. The Appendix increases the loan amount from PLN 15 million to PLN 30 million and postpones the repayment date till the end of 2008.

15) On 12 October 2007 AmRest shares in the number of 670,606, a par value EUR 0.01 each, were returned to International Restaurant Investments, LLC, the former main shareholder of AmRest. The Share Loan Agreement was described in RB 36/2007 dated 3 July 2007.

16) On 3 January 2008 AmRest informed that American Restaurants Sp. z o.o. ("AmRest Poland") and Starbucks Coffee International, Inc. ("Starbucks") registered AmRest Coffee, Kft, seated in Budapest, Hungary. The new company has been established in connection with the Joint Venture Agreement signed on May 25, 2007 (RB 23/2007 dated 25 May 2007), to develop and operate Starbucks stores in Hungary. The total equity of AmRest Coffee, Kft amounts to HUF 3 million. AmRest Poland contributed 82% of AmRest Coffee, Kft equity and Starbucks contributed 18% of the new company equity.

17) On 29 January 2008 a loan agreement was signed by and between AmRest Poland and American Restaurants EOOD („AmRest Bulgaria") for an amount of PLN 12.0 million. The loan is a revolving loan and was granted until the end of 2009. AmRest Bulgaria is AmRest Poland 100% subsidiary.

18) On 11 March 2008, with reference to the Credit Agreement with ABN AMTO signed on the same day, AmRest signed the Corporate Guarantee under which it guarantees to ABN AMRO Bank N.V. and ABN AMRO Bank (Poland) S.A. (collectively: „Bank") the fulfillment of AmRest Poland obligations stemming from the Credit. The Guarantee will be in force until the ultimate repayment of all obligations resulting from the Credit.

19) On 23 April 2008 AmRest informed about the increase in the amount of capital of its subsidiary American Restaurants Kft ("AmRest Hungary"). Following the registeration of this change the share capital of AmRest Hungary amounts to HUF 1.084.000.000. Following this change AmRest Poland is still 100% owner of AmRest Hungary (RB 24/2008 dated 23 April 2008).

AmRest Holdings N.V.

Consolidated Financial Statements

as at and for the twelve months ended 31 December 2007

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Consolidated Income Statement
for the twelve months ended 31 December 2007 and 31 December 2006

in thousands of Polish zloty	Note	2007	2006 (restated)
Restaurant sales	3	853 355	629 326
Restaurant expenses:	5		
Cost of food		(284 332)	(210 926)
Direct marketing expenses		(38 991)	(30 590)
Direct depreciation and amortization expenses		(49 388)	(40 177)
Payroll and employee benefits		(163 017)	(119 331)
Continuing franchise fees		(50 244)	(37 300)
Occupancy and other operating expenses		(148 486)	(105 600)
Total restaurant expenses		(734 458)	(543 924)
Gross profit on sales		118 897	85 402
General and administrative expenses (G&A)	5	(54 587)	(41 434)
Depreciation and amortization expenses (G&A)	5	(2 809)	(3 416)
Other operating income	6	8 441	5 505
(Loss)/gain on disposal of property, plant and equipment and intangibles	10	(1 155)	1 411
Impairment losses	5	(1 708)	(3 117)
Operating profit		67 079	44 351
Finance income	3,7	3 682	8 671
Finance cost	3,8	(7 963)	(4 847)
Share of profit of associates	3,30	1 132	637
Profit before tax	9	63 930	48 812
Income tax expense	3,9	(15 237)	(10 287)
Profit for the period		48 693	38 525
Attributable to:			
Minority interest		291	59
Equity holders of the parent		48 402	38 466
Basic earnings per share in Polish zloty	28	3.50	2.85
Diluted earnings per share in Polish zloty	28	3.47	2.84

Consolidated income statement should be analyzed together with the accompanying notes to the consolidated financial statements.

Consolidated balance sheet
as at 31 December 2007 and 31 December 2006

in thousands of Polish zloty	Note	2007	2006 (restated)
Assets			
Property, plant and equipment	10	263 487	191 705
Goodwill	12	155 353	23 516
Other intangible assets	11	13 955	12 829
Investment in associates	3,30	2 353	1 221
Other non-current assets	13	47 952	17 726
Deferred tax asset	9	12 279	9 802
Total non-current assets		495 379	256 799
Inventories	14	11 594	8 134
Trade and other receivables	15	16 733	11 460
Corporate income tax receivables		403	-
Other current assets	16	11 621	5 976
Held-to-maturity assets	17	-	9 984
Cash and cash equivalents	17	46 873	25 241
Assets held for sale	18	-	3 861
Total current assets		87 224	64 656
Total assets	3	582 603	321 455
Equity	19		
Share capital		544	519
Reserves		320 532	219 137
Accumulated deficit		(58 917)	(97 383)
Profit for the period		48 402	38 466
Translation reserve		(23 454)	(4 943)
Equity attributable to shareholders of the parent		287 107	155 796
Minority interest		4 316	79
Total equity		291 423	155 875
Liabilities			
Interest-bearing loans and borrowings	20	124 146	72 140
Finance lease liabilities	25	4 160	3 326
Employee benefits	21	1 221	913
Provisions	22	2 820	5 565
Deferred tax liabilities	9	2 216	760
Other non-current liabilities	23	1 275	1 721
Total non-current liabilities		135 838	84 425
Interest-bearing loans and borrowings	20	38 552	918
Finance lease liabilities	25	1 442	68
Trade and other accounts payable	24	111 550	77 903
Income tax liabilities		3 798	2 266
Total current liabilities		155 342	81 155
Total liabilities	3	291 180	165 580
Total equity and liabilities		582 603	321 455

Consolidated balance sheet should be analyzed together with the accompanying notes to the consolidated financial statements.

Consolidated statement of cash flows for the twelve months ended 31 December 2007 and 31 December 2006

in thousands of Polish zloty	Note	2007	2006 (restated)
Cash flows from operating activities			
Profit before tax		63 930	48 812
Adjustments for:			
Share of profit of associates	30	(1 132)	(637)
Amortization	11	6 198	6 108
Depreciation	10	45 999	37 485
Interest expense, net	7,8	3 655	3 577
Foreign exchange gain, net	7	(2 167)	(4 726)
Loss/(gain) on disposal of property, plant, equipment and intangibles	10	1 155	(1 411)
Impairment of assets	5	1 694	2 540
Equity–settled share based payments expenses	21	1 433	497
Waiver of loan from a related party	7	-	(3 396)
Working capital changes:			
Change in receivables		1 838	7 643
Change in inventories		(1 995)	(772)
Change in other assets		(8 858)	(2 344)
Change in payables and other liabilities		26 484	14 793
Change in other provisions and employee benefits		(3 855)	997
Income taxes paid		(12 500)	(5 580)
Interest paid		(3 655)	(3 577)
Other		(4 141)	545
Net cash provided by operating activities		114 083	100 554
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	4	(71 270)	(20 730)
Proceeds from the sale of property, plant and equipment and intangible assets	10	520	1 082
Proceeds from the sale of assets held for sale	18	4 000	5 000
Proceeds from held-to-maturity debt securities	17	9 984	-
Acquisition of property, plant and equipment	10	(99 262)	(54 445)
Acquisition of intangible assets	11	(6 307)	(1 521)
Acquisition of held-to-maturity financial assets		-	(9 954)
Acquisition of investments in associates	30	-	(10)
Net cash used in investing activities		(162 335)	(80 578)
Cash flows from financing activities			
Proceeds from borrowings		77 000	4 179
Repayment of borrowings		(3 760)	(30 111)
Repayment of finance lease		(2 881)	(112)
Net cash provided by/(used in) financing activities		70 359	(26 044)
Net change in cash and cash equivalents		22 107	(6 068)
Cash and cash equivalents, beginning of period		25 241	31 575
Effect of foreign exchange rate movements		(475)	(266)
Cash and cash equivalents, end of period		46 873	25 241

Consolidated cash flow statement should be analyzed together with the accompanying notes to the consolidated financial statements.

Consolidated statement of changes in equity
for the twelve months ended 31 December 2007 and 31 December 2006

	Attributable to equity holders of the Company								Minority Interest	Total
in thousands of Polish zloty	Share Capital (Note 19)	Share premium	Share options (Note 21)	Other reserves (Note 19)	Total Reserves	Accumulated deficit	Currency translations	Total		
As at 01.01.2006 (previously reported)	519	210 302	2 147	6 191	218 640	(95 511)	(574)	123 074	20	123 094
Correction of accounting treatment for holiday accrual (Note 2)	-	-	-	-	-	(1 872)		(1 872)		(1 872)
As at 01.01.2006 (restated)	519	210 302	2 147	6 191	218 640	(97 383)	(574)	121 202	20	121 222
Employees share option scheme – value of employee services (Note 21)	-	-	497	-	497	-	-	497	-	497
Currency translation differences	-	-	-	-	-	-	(4 369)	(4 369)	-	(4 369)
Profit for the period	-	-	-	-	-	38 466	-	38 466	59	38 642
As at 31.12.2006	519	210 302	2 644	6 191	219 137	(58 917)	(4 943)	155 796	79	155 875
As at 01.01.2007	519	210 302	2 644	6 191	219 137	(58 917)	(4 943)	155 796	79	155 875
Employees share option scheme – value of employee services (Note 21)	-	-	1 433	-	1 433	-	-	1 433	-	1 433
Currency translation differences	-	-	-	-	-	-	(18 511)	(18 511)	-	(18 511)
Issue of shares (Note 4, 19)	25	99 962	-	-	99 962	-	-	99 987	-	99 987
Minority interest on new subsidiaries	-	-	-	-	-	-	-	-	3 946	3 946
Profit for the period	-	-	-	-	-	48 402	-	48 402	291	48 693
As at 31.12.2007	544	310 264	4 077	6 191	320 532	(10 515)	(23 454)	287 107	4 316	291 423

Total income and expense for the period (currency translation differences and profit for the period) attributable to equity holders amounted to PLN 29 891 TPLN (previous year: 34 097 TPLN) and attributable to the minority interest – 291 TPLN (previous year: 59 TPLN).

Consolidated statement of changes in equity should be analyzed together with the accompanying notes to the consolidated financial statements.

1 Group overview and significant accounting policies

a) Background

AmRest Holdings N.V. (the "Company") was established as a joint stock company in October 2000 in the Netherlands. The Company's head office is located in Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The Company's corporate offices are located in Wroclaw, Poland. The Company and its subsidiaries are collectively referred to as the "Group".

The Consolidated Financial Statements as at and for the twelve months ended 31 December 2007 comprise the data on the Company, its subsidiaries and on the Group's equity interest in associates.

The following Consolidated Financial Statements were authorised for issue by the Management Board on 25 April 2008.

The principal activity of the Group, conducted by its subsidiaries in Poland, the Czech Republic, Hungary Bulgaria, Russia and Serbia is to operate Kentucky Fried Chicken („KFC") and Pizza Hut franchised restaurants, as well as "Rodeo Drive" restaurants in Poland and the Czech Republic and solely in Poland "Burger King", „Ice*Land" and "Freshpoint" restaurants.

Group's operations are not seasonal.

On 27 April 2005, the shares of AmRest Holdings N.V. commenced trading on the Warsaw Stock Exchange ("WSE") in Poland.

Prior to 27 April 2005, the Company was jointly owned and controlled by International Restaurant Investments, LLC ("IRI") of the United States and Kentucky Fried Chicken Poland Holdings BV ("KFC BV") of the Netherlands. Before the initial public offering each shareholder possessed a 50% ownership.

IRI is a wholly-owned subsidiary of American Retail Concepts, Inc. of the United States ("ARC"), whereas KFC BV was a wholly-owned subsidiary of Yum! Brands, Inc. ("YUM!") of the United States.

In conjunction with the listing of the Company's shares on the WSE, YUM! sold all of its shares in the Company and is no longer a shareholder and a related party. Moreover, IRI also sold part of its shares as a result of the Company's IPO on the stock exchange. As at 31 December 2006 the Company's largest shareholder with a 37.5% voting rights and ownership interest remained IRI. In 2007 IRI sold further part of its shares. As at 31 December 2007 IRI had 8.46 % of voting rights and ownership interest and the Company's largest shareholder was WBK AIB Asset Management with a 14.62% voting rights and ownership interest. As at 31 December 2007 IRI and ARC (together with its subsidiary: American Retail Systems Sp. z o.o.) are still related parties to the Group as controlling voting rights in ARC are held by the some members of the Group's supervisory board and the management board. For details please refer to the Note 31.

Pizza Hut and KFC restaurants operate under franchise agreements with YUM! and YUM! Restaurants International Switzerland, Sarl („YRIS"), a subsidiary of YUM!. Each franchise agreement has a term of ten years, with an option of renewal by the Group for further ten years, subject to certain conditions being met as described in the agreements.

YUM! committed to notify the Company if it enters into another franchise, at least six months before the first KFC or Pizza Hut restaurant is opened in Poland, the Czech Republic or Hungary. During this period, the Company has the right to state its opinion on the issue. YUM! has indicated that at present it has no plans to conclude agreements with other prospective franchisees in Poland, Czech Republic and Hungary or to open new restaurants by itself.

On 8 March 2007, the Group concluded the development agreement with Burger King Europe GmbH ("BKE"), concerning the opening and operation of the Burger King restaurants in Poland. Burger King restaurants are operated under franchise agreements with Burger King Europe GmbH located in Zug, Switzerland which are to be signed for each particular restaurant separately once it opens. Each franchise agreement has a term of ten years, with an option of renewal by the Group for further ten years, subject to certain conditions being met as described in the agreements.

The main conditions relating to signed development agreement are as follows:

- During the 2 years after the first opening of a Burger King restaurant by the Group, BKE shall contribute an amount of 2.5% of the calendar monthly gross sales of all Burger King restaurants operated by the Group to the advertising and sales promotion fund mentioned in the franchise agreement. During the third year after the first opening of a Burger King restaurant by the Group, BKE shall contribute an amount of 2% of the calendar monthly gross sales of all Burger King restaurants operated by the Group to the advertising and sales promotion fund.
- During the initial 5 years term the initial franchise fee payable by the Group shall be 25 000 USD for each Burger King restaurant with a franchise agreement providing for a term of 10 years (plus a further renewal franchise fee of 25 000 USD in case of a 10 years renewal of the franchise agreement at the Group's option). The initial franchise fee shall be reduced by 50% for the development of each Burger King restaurant which exceeds the number of Burger King restaurants to be developed and opened by the Group according to the development schedule.
- The Group agrees to open and operate Burger King restaurants in strict accordance with the development schedule which includes the minimal numbers of openings in each development year as defined in the development agreement.

The Group opened four Burger King restaurants as at 31 December 2007.

On 25 May 2007, the Group concluded agreements with Starbucks Coffee International, Inc. ("Starbucks"), concerning the cooperation on the development and operation of Starbucks stores in Poland, the Czech Republic and Hungary. The agreements have a term ending on May 31, 2022, with an option to extend for an additional 5 years upon the fulfilment of certain conditions.

The parties resolved to establish three separate companies, one for each of the 3 countries Poland, Czech Republic and Hungary. On 27th of March 2007 a new entity for the Polish region – AmRest Coffee Sp. z o.o. was set up, the company for Czech region - AmRest Coffee s.r.o. was set up on 14th of August 2007 and the company for Hungarian region - AmRest Kávézó was setup on 31st of August 2007 (Note 4). The above companies will be the only entities with the right to develop and operate Starbucks cafes in Poland, Czech Republic and Hungary during the term of the agreements with non-exclusive rights to certain institutional locations.

The Group contributed 82% and Starbucks 18% of the capital to all the companies. In the third and fourth year after the formation of all three companies Starbucks shall have the right and option to increase its participation by acquiring additional shares (up to 50%) in case of the Group's failure in opening and operating a minimum number of Starbucks stores in Poland, Czech Republic and Hungary. In the fifth and ninth year Starbucks will have an unconditional option to increase its stake up to 50%. In case of a conflicting acquisition or a change of control of the Group, Starbucks will have the right to increase its participation in companies up to 100% by acquiring shares from the Group.

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

Notes to the Consolidated Financial Statements
(in thousands of Polish zloty unless otherwise stated)

The table below presents a summary of the subsidiaries included within the Group at 31 December 2007:

Name of company	City and country of incorporation	Principal activity	Parent company	Ownership interest and voting rights	Date of effective control
American Restaurants Sp. z o.o.	Wroclaw, Poland	Operating restaurants in Poland	AmRest Holdings N.V.	100.00 %	December 2000
American Restaurants s.r.o.	Prague, Czech Republic	Operating restaurants in the Czech Republic	AmRest Holdings N.V.	100.00 %	December 2000
Pizza Hut s.r.o.	Prague, Czech Republic	No current activities	American Restaurants s.r.o. American Restaurants Sp. z o.o.	99.973% 0.027%	December 2000
American Restaurants Kft	Budapest, Hungary	Operating restaurants in Hungary	American Restaurants Sp. z o.o.	100.00 %	June 2006
Grifex I Sp. z o.o. *	Wroclaw, Poland	No current activities	American Restaurants Sp. z o.o.	48.00 %	September 2003
Galeria Arka Sp. z o.o.	Warsaw, Poland	Lessee of location where a restaurant is planned to be open	American Restaurants Sp. z o.o.	100.00 %	March 2005
AmRest Ukraina t.o.w.	Kiev, Ukraine	Established for the development of Pizza Hut restaurants In Ukraine	American Restaurants Sp. z o.o.	100.00 %	December 2005
Doris 2006 Sp. z o.o.	Warsaw, Poland	Lessee of location where a restaurant is planned to be open	American Restaurants Sp. z o.o.	100.00 %	October 2006
AmRest Coffee Sp. z .o.o.	Wroclaw, Poland	Established to operate Starbucks stores in Poland	American Restaurants Sp. z o.o. Starbucks Coffee International. Inc	82.00 % 18.00 %	March 2007
Bécsi út.13. Kft	Budapest, Hungary	Owner of the building with office space	American Restaurants Kft	100.00 %	April 2007
American Restaurants EOOD	Sofia Bulgaria	Established to operate restaurants in Bulgaria	American Restaurants Sp. z o.o.	100.00 %	April 2007
AmRest Coffee s.r.o.	Prague, Czech Republic	Established to operate Starbucks stores in Czech Republic	American Restaurants Sp. z o.o. Starbucks Coffee International. Inc	82.00 % 18.00 %	August 2007
AmRest Acquisition Subsidiary Inc.	Delaware USA	Established to acquire OOO Pizza Nord (Note 3)	AmRest Holdings N.V.	100.00 %	May 2007
OOO AmRest (previous name OOO Pizza Nord)**	Petersburg, Russia	Operating Pizza Hut and KFC restaurants in Ukraine	AmRest Acquisition Subsidiary Inc. American Restaurants Sp. z o.o.	91.00 % 9.00%	July 2007
OOO KFC Nord	Moscow, Russia	No current activities	OOO AmRest	100.00%	July 2007

(in thousands of Polish zloty unless otherwise stated)

Name of company	City and country of incorporation	Principal activity	Parent company	Ownership interest and voting rights	Date of effective control
OOO KFC South	Moscow, Russia	No current activities	OOO AmRest	100.00%	July 2007
OOO Sistema Bistrogo Pitania	Moscow, Russia	No current activities	OOO AmRest	100.00%	July 2007
AmRest Kávézó Kft	Budapest Hungary	Established to operate Starbucks stores in Hungary	American Restaurants Sp. z o.o. Starbucks Coffee International, Inc.	82.00 % 18.00 %	August 2007
AmRest D.O.O.	Belgrade, Serbia	Operating restaurants in Serbia	American Restaurants Sp. z o.o. ProFood Invest GmbH	60.00 % 40.00 %	October 2007

* Despite the fact that the Group holds a 48% of voting rights and ownership interest it consolidates the company as a subsidiary, since on the basis of agreements with the main shareholder, it has the right to control the company's operating and financial activities.

** On 23rd of October 2007 OOO Pizza Nord change the name to OOO AmRest.

On 17th of March International Fast Food Polska Sp. z o.o. was liquidated.

On 30th of August Fried Chicken s.r.o. was liquidated.

Newly acquired or established subsidiaries are described in Note 4.

(in thousands of Polish zloty unless otherwise stated)

The Group's associated companies at 31 December 2007 accounted for under the equity method are as follows:

Name of company	City and country of incorporation	Principal activity	Parent company	Ownership interest and voting rights	Date of effective control
Worldwide Communication Services LLC	Nevada, USA	Marketing activity for the Group	American Restaurants Sp. z o.o.	33.33 %	October 2003
Synergy Marketing Partners Sp. z o.o. in liquidation	Warsaw, Poland	Marketing activity for the Group	Worldwide Communication Services LLC.	26.66%	May 2002
Red 8 Communications Group Sp. z o.o.*	Warsaw, Poland	Marketing activity for the Group	Worldwide Communication Services LLC	17.33%	May 2002
Synergy Marketing Partners s.r.o. in liquidation	Prague, Czech Republic	Marketing activity for the Group	Synergy Marketing Partners Sp. z o.o.	24.00%	February 2005
SCM Sp. z o.o.	Chotomow, Poland	Restaurant supply services provided for the Group	American Restaurants Sp. z o.o.	45.00%	April 2005
SCM s.r.o.	Prague, Czech Republic	Restaurant supply services provided for the Group	SCM Sp. z o.o.	40.50%	March 2007

* The Group holds a 17.33% of voting rights and ownership interest in Red 8 Communications Group Sp. z o.o. The Group has the right to influence the company's operations significantly, as it is a subsidiary of an associated entity - Worldwide Communication Services LLC, which holds 52% of voting rights.

On 17th of December 2007 Global Communication Services Sp. z o.o. was liquidated.

(b) Statement of compliance with International Financial Reporting Standards

These annual consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and issued by the International Accounting Standards Board. As at December 31, 2007 there are no differences with regards to policies adopted by the Group and the International Financial Reporting Standards. The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2006, except for the new accounting standards adopted as of January 1, 2007.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2007:

- IFRIC 7, 'Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflatory Economies', effective for annual periods beginning on or after 1 March 2006. The interpretation has no material impact on the Group's operations and its consolidated financial statements;
- IFRIC 8, 'Scope of IFRS 2', effective for annual periods beginning on or after 1 May 2006. The interpretation has no material impact on the Group's operations and its consolidated financial statements;
- IFRIC 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006. The interpretation has no material impact on the Group's operations and its consolidated financial statements;
- IFRIC 10, 'Interim Financial Reporting and Impairment', effective for annual periods beginning on or after 1 November 2006. The interpretation has no material impact on the Group's operations and its consolidated financial statements;
- IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after January 1, 2007 and the complementary Amendments to IAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. The adoption of IFRS 7 and amendment to IAS 1 had an impact on the extent of disclosures presented in the consolidated financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

- IFRIC 11, 'Group and Treasury Share Transactions', effective for annual periods beginning on or after 1 March 2007. IFRIC 11 addresses application of IFRS 2 in case of emission equity instruments by the Company as a payment for received goods or services or when emitted are equity instrument by any other entity from the Group. The management is already assessing impact of IFRIC 11 on Group's operations but do not expect the interpretation to have material impact on the financial statements;
- IFRIC 12, 'Service Concession Arrangements', effective for annual periods beginning on or after 1 January 2008. IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangements. Management do not expect the interpretation to be relevant for the Group;

- IFRIC 13, 'Customer Loyalty Programmes", effective for annual periods beginning on or after July 1, 2008. IFRIC 13 addresses accounting by entities that grant loyalty award credits (such as 'points') to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. Management is currently assessing the impact of this interpretation on the Group's;

- IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', effective for annual periods beginning on or after January 1, 2008. IFRIC 14 added the interaction between a minimum funding requirements and the limit placed by paragraph 58 of IAS 19 'Employee Benefits' on the measurement of the defined benefit asset or liability. Management expects the new standard to have no impact on the Group's operations and consolidated financial statements;

- IFRS 8, 'Operating Segments', effective for annual periods beginning on or after January 1, 2009. IFRS replaces IAS 14 "Segment Reporting' and adopts a management approach to segment reporting. Management expects the new standard to have a significant impact on the Group's operations and consolidated financial statements. Adoption of IFRS 8 will require redefining of segments, which will be identified on the basis on internal reports regularly reviewed by the Group's chief operating decision makers. Therefore, management expect identification of, apart from geographical segments, also segment based on key Group's brands.

- Revised IAS 23, 'Borrowing costs', effective for annual periods beginning on or after January 1, 2009. The main change from the previous version is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalize borrowing costs as part of the cost of such assets. The revised IAS 23 does not require the capitalization of borrowing costs relating to assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale. Management do not expect the amendment to have a significant impact on the Group's operations.

- IAS 1 - Presentation of Financial Statements (Revised) effective for annual periods beginning on or after 1 January 2009 r. The changes relate to the presentation of financial statements and disclosures. One of the most important changes is the introduction of „Statement of comprehensive income". The management is already assessing impact of revised standards on the presentation and disclosure.

- IFRS 3 (Revised) – 'Business Combinations' and IAS 27 (Revised) – 'Consolidated and Separate Financial Statements' effective for annual periods beginning on or after 1 July 2009 r. Changes relate mostly to the determination of cost of business combinations, goodwill, adjustment subsequent to initial recognition. The management is already assessing impact of revised standards on Group's operations

(c) Basis of preparation

The consolidated financial statements are presented in Polish Zloty (PLN), rounded to the nearest thousand (TPLN).

The Consolidated Financial Statements are prepared on the historical cost basis. Non-current assets held for sale are stated at the lower of the carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 32.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(d) Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Polish operations is the Polish Zloty (PLN), the functional currency of the Czech operations is the Czech Crown (CZK), while the functional currency of the Hungarian operations is the Hungarian Forint (HUF), Russian operation - Rouble (RUB), Bulgarian operations – Lev, Serbian operations – Dinar.

As the majority of its operations and transactions are PLN denominated, the consolidated financial statements are presented in PLN.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in such currencies at the balance sheet date are translated to the applicable functional currency at the foreign exchange rate prevailing at that date. All differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost, are translated at the foreign exchange rate as of the date of the transaction.

Financial statements of foreign operations

The results and financial position of all Group entities, which have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- the assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated into PLN at exchange rates ruling at the balance sheet date,
- the revenues and expenses of foreign operations are translated at average rates in the period, which approximate the foreign exchange rates ruling at the dates of the transactions,
- all resulting foreign exchange differences arising on translation are recognised directly in equity.

Foreign exchange differences are released to the income statement upon disposal.

None of the foreign operations' currency is as at 31 December 2007 a currency of a hyperinflationary economy.

(f) Franchise, license and other fees

As noted in Note 1(a) above, KFC and Pizza Hut restaurants are operated in accordance with franchise agreements with YUM! and subsidiaries of YUM!. The franchise agreements typically require that the Group pay an initial, non-refundable fee upon the opening of each new restaurant, pay continuing fees of 6% percent of revenues and commit 5% percent of revenue to advertising as specified in the relevant agreement. In addition, at the conclusion of the initial term of the franchise agreement, the Group may renew the franchise agreement, subject to a renewal fee.

The initial, non-refundable fees constitute in substance rights to use Pizza Hut and KFC trademarks and are included in 'intangible assets' and amortized over the period of the agreement (usually ten years). Continuing fees related to KFC and Pizza Hut and Burger King and Starbucks are expensed as incurred. Renewal fees are amortized over the renewal period when a renewal agreement becomes effective.

The initial fees paid are approximately 41.9 TUSD per restaurant and renewal fees are 50% of the initial fees, adjusted to reflect changes in the US Consumer Price Index during the term of the relevant franchise.

The most significant conditions relating to franchise agreements to be concluded with Burger King (Note 1(a)) are as follows:

- The license is granted for 10 years period commencing from the date the franchised restaurant opens for business. The franchisee has the right to renew the term of the agreement for immediate subsequent second term of 10 years upon the fulfilment of certain pre-conditions.
- The franchisee must pay monthly continuing fees to the franchisor equal to 5% of the gross sales of the Burger King restaurant operated by franchisee.
- The franchisee must pay monthly continuing advertising and sales promotion fees equal to 5% of the gross sales of the Burger King restaurant operated by franchisee.

The key fees and costs to be borne by the Group relating to agreements with Starbucks (Note 1(a)) will be as follows:

- The development and service fees for initial operation support equal to an amount 950 TUSD.
- The initial franchise fee of 25 TUSD for each Starbucks store.
- The continuing licensing and service fee equal to 6% of sales revenues of each Starbucks store.
- A local marketing spend obligation is to be mutually agreed annually.

(g) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Borrowing costs incurred for the construction of any qualifying asset are expensed and presented as interest costs.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement and presented as "Gain (loss) on disposal of property, plant and equipment and intangibles".

Restaurant development assets

Direct costs associated with site acquisition and the construction of a restaurant on that site, including direct internal payroll and payroll-related costs are capitalized. Only those site-specific costs incurred subsequent to the time that the site acquisition is considered probable are capitalized and included in restaurant development assets ("Property plant and equipment"). If subsequently it is determined that a site for which development costs have been capitalized will not be acquired or developed, any previously capitalized development costs are expensed. Restaurant development assets are amortized over their estimated useful life.

Leased assets

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in the balance sheet as finance lease liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, and major components that are accounted for separately. Land and assets under construction are not depreciated.

The estimated useful lives are as follows:

• Buildings	30 – 40 years
• Restaurant development assets (including leasehold improvements)	10 years*
• Machinery and equipment	4 – 8 years
• Vehicles	5 years
• Other tangible assets	4 – 8 years

* the lesser of 10 years or the length of the respective lease.

The assets' residual values, method of depreciation and useful lives are reassessed annually.

(h) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Favourable leases

Favourable leases represent restaurant location lease contracts acquired on acquisition of subsidiaries with below-market lease payments. Favourable lease intangible assets are recognised initially at fair value and subsequently stated at cost less accumulated amortization and impairment losses (see accounting policy (n) below).

Trademark

Trademarks are shown at historical cost. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

Rights to use Pizza Hut and KFC trademarks

See accounting policy (f) above.

Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and potential impairment losses (see accounting policy (n) below).

Amortization

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date (see accounting policy (n) below) and are not subject to amortization. Other intangible assets are amortized from the date they are available for use.

The estimated useful lives of other intangible assets are as follows:

• Software licenses	4 - 5 years
• Favourable leases	2 – 10 years*
• Trademark	5 years
• Rights to use Pizza Hut and KFC trademarks	10 years
• Other intangible assets	5 - 10 years

* Favourable lease intangible assets are amortised over the remaining lease term of the respective lease agreement.

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill on acquisitions of subsidiaries/businesses is included in intangible assets and stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortized but is tested annually for impairment (see accounting policy (n)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Costs incurred to create self-generated goodwill and trademarks are expensed in the income statement as incurred.

j) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories described below. The Group does not have any investments classified as available-for-sale financial assets at the balance sheet dates.

Financial assets at fair value profit or loss

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

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

Loans and receivables

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

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group 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 amortised cost using the effective interest method.

(k) Trade and other receivables

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

(l) Inventories

Inventories comprise mainly materials and are stated at the lower of purchase price 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 selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(m) Cash and cash equivalents

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

(n) Impairment

The carrying amount of the Group's assets, except for inventories (see accounting policy (l)) and deferred tax assets (see accounting policy (v)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. For goodwill, intangible assets that have an indefinite useful life and assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment of trade and other receivables is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. If there is objective evidence that an impairment loss on receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the loss is recognised in the income statement.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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. For an asset which does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In such cases as cash generating units the Group recognises separate restaurants.

Restaurants are evaluated using a "one year history of operating losses" as the primary indicator of potential impairment. For restaurants for which there is an indicator of potential impairment, discounted estimated cash flows are used to assess the recoverable amount of the related assets. The impairment evaluation is based on the estimated cash flows from continuing operation of the restaurant and takin into account the expected terminal value.

In addition, when a decision is made to close a restaurant, the restaurant is reviewed for impairment and depreciable lives are adjusted accordingly. Likewise, a liability is recorded for any lease termination costs associated with the closing of the restaurant.

Reversals of impairment

An impairment loss in respect of receivables carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

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 amortization, if no impairment loss had been recognised.

(o) Interest bearing loans and borrowings

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

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

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

(p) Share capital

Ordinary shares are classified as equity.

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

(q) Employee benefits

Share-based compensation

The Group operates two equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Long-term service benefits

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation represents the Group's estimate of future benefits that employees have earned in return for their service in the current and prior periods, discounted to its present value.

Pension accounting

The Group makes contributions to the government's retirement benefit scheme at the applicable rate during the period based on gross salary payment). This plan is funded on a pay-as-you-go basis, i.e. the Group is only obliged to pay the contributions as they fall due based upon a percentage of salary and if the Group ceases to employ members of the plan, it will have no obligation to pay any additional benefits. The plan is a defined contribution plan. The expense for the contributions is charged to the income statement in the same period as the related salary expense and presented in Profit and Loss Account in the line "Payroll and employee benefits".

(r) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

Site restoration

Management analyses potential site restoration costs and recognise provision if these costs are material.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(s) Trade and other payables

They are recognised initially at fair value and subsequently measured at effective interest (amortised costs).

(t) Revenue recognition

Revenues comprise the fair value of the sale of goods, net of value-added tax. Sales of goods are recognised when a Group entity sells a product to the customer. Sales are typically in cash.

(u) Operating lease, occupancy cost

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Operating lease relates mainly to the premises in which restaurants operate. Lease costs are recognised in the income statement as „Occupancy and other operating expenses".

(v) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Income tax is recognised in the income statement except when it relates to items recognised directly in equity, in which case it is also recognised in equity.

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred tax is not accounted for if it arises form initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. No taxable temporary differences are recognized on the initial recognition of goodwill.

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(w) Derivative Financial Instruments

The Group periodically uses derivative financial instruments to hedge its exposure to foreign exchange rate risks arising from operational and financing activities. Derivative financial instruments are recognised initially at fair value and subsequently remeasured at their fair value.

Derivatives used by the Group do not qualify for hedge accounting. Financial instruments are recognised initially at fair value. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

The Group did not have any derivative financial instruments as at 31 December 2007 and 2006.

(x) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(in thousands of Polish zloty unless otherwise stated)

(y) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

(z) Business combinations involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the business combination, and that control is not transitory. This business combination is recognised using pooling of interest method. When this method is used there are no fair value adjustments to assets and liabilities and no goodwill is recognised.

2 Correction of prior period error

During 2007 the Group identified prior period mathematical error in the estimation of unused holiday accruals. The Group concluded that the error is material and in order to ensure comparability of the prior years' data, appropriate retrospective adjustment has been made to the consolidated balance sheet, consolidated income statement, consolidated cash flow and to the notes to the consolidated financial statements. Comparative data were restated. Adjustments to previously published financial statements are presented in the table below:

	12 months ended 31 December 2006
Adjustment to the consolidated income statement:	
Increase of payroll and employee benefits – General and administrative expenses	(144)
Decrease of income tax	27
Decrease of profit for the period	(117)
Change of basic and diluted earnings per share	-

	1 December 2006
Adjustment to the consolidated balance sheet:	
Increase of deferred tax asset	439
Increase of accumulated deficit	1 872
Increase of trade and other accounts payable	(2 311)

	31 December 2006
Adjustment to the consolidated balance sheet:	
Increase of deferred tax asset	466
Increase of accumulated deficit	1 872
Decrease of profit for the period	117
Increase of trade and other accounts payable	(2 455)

The above presented adjustments relate to the geographical segment "Poland".

(in thousands of Polish zloty unless otherwise stated)

3 Segment reporting

Geographical segments

Even though the Group is managed on a worldwide basis, its business activities operate mainly in three geographical areas: Poland, Czech Republic and Russia.

The division of Group's revenue into geographical segments is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The Group's restaurant operations constitute one business segment given the similar nature of products, customers, business risks and returns.

Geographical segment data as at and for the twelve months ended 31 December 2007 and 31 December 2006 is as follows:

	Poland	*Czech Republic*	*Russia*	*Unallocated*	*Total*
2007					
Revenue from external customers	553 692	192 974	57 332	49 357	853 355
Inter-segment revenue					
Operating profit	46 394	19 982	4 006	(3 303)	67 079
Finance income					3 682
Finance cost					(7 963)
Share of profit of associates (Note 30)	1 132	-	-	-	1 132
Income tax					(15 237)
Profit for the period					48 693
Segment assets	193 826	121 860	196 368		512 054
Investments in associates (Note 30)	2 353	-	-	-	2 353
Unallocated assets				68 196	68 196
Total assets					582 603
Segment liabilities	72 932	24 793	5 589		103 314
Unallocated liabilities				187 866	187 866
Total liabilities					291 180
Pension, health care, sickness fund state contributions (Note 21)	16 783	11 550	2 604	354	31 291
Depreciation (Note 10)	29 087	11 758	2 826	2 328	45 999
Amortization (Note 11)	4 803	593	310	492	6 198
Capital investments (Note 10, 11, 12)	54 554	20 192	164 300	38 106	277 152
Impairment of fixed assets (Note 5, 10)	1 459	-	-	235	1 694
Impairment of assets held for sale (Note 5)	-	-	-	-	-
Impairment of inventories (Note 5)	-	-	-	-	-
Impairment of trade receivables (Note 5)	14	-	-	-	14

(in thousands of Polish zloty unless otherwise stated)

	Poland	*Czech Republic*	*Russia*	*Unallocated*	*Total*
2006					
Revenue from external customers	435 718	172 247	-	21 361	629 326
Inter-segment revenue	-	-	-	-	-
Operating profit/segment result	32 494	12 984	-	(1 127)	44 351
Finance income					8 671
Finance cost					(4 847)
Share of profit of associates (Note 30)	637	-	-	-	637
Income tax					(10 287)
Profit for the period					38 466
Segment assets	208 200	90 921	-		299 121
Investments in associates (Note 30)	1 221	-	-	-	1 221
Unallocated assets				21 113	21 113
Total assets					321 455
Segment liabilities	58 091	20 266	-	-	78 357
Unallocated liabilities	-	-	-	87 223	87 223
Total liabilities					165 580
Pension, health care, sickness fund state contributions (Note 21)	16 708	9 457	-	163	26 328
Depreciation (Note 10)	26 377	10 751	-	357	37 485
Amortization (Note 11)	5 143	663	-	302	6 108
Capital investments (Note 10, 11, 12)	37 039	15 796	-	28 583	81 418
Impairment of fixed assets (Note 5, 10)	611	1 455	-	174	2 240
Impairment of assets held for sale (Note 5)	300	-	-	-	300
Impairment of inventories (Note 5)	91	-	-	110	201
Impairment of trade receivables (Note 5)	265	111	-	-	376

Capital investment comprises additions of property, plant and equipment (Note 10), additions of intangible assets (Note 11) and additions of goodwill (Note 12).

The unallocated column relates to corporate assets, financial liabilities (borrowings) and transactions of AmRest Holdings N.V, and subsidiaries located in Hungary, Bulgaria, Ukraine and Serbia.

(in thousands of Polish zloty unless otherwise stated)

4 Establishment and acquisition of subsidiaries and associates

Establishment of AmRest Coffee Sp. z o.o.

In order to operate Starbucks cafes in Poland, on 27th of March 2007 r. the Group established a new company - AmRest Coffee Sp. z o.o. American Restaurants Sp. z o.o. subscribed for 82% of voting rights and shares and Starbucks Coffee International, Inc subscribed for 18%.

This company has been established in relation to the agreement with Starbucks Coffee International, Inc. described in Note 1a and 29. As at 31 December 2007 the company had virtually no operations.

Acquisition of Bécsi út.13.Kft

On 19 April 2007 American Restaurants Kft. acquired 100% of share capital and voting rights of Bécsi út 13. Kft. based in Budapest, Hungary.

Bécsi út 13. Kft. is the owner of the office building located at Bécsi út 13, Budapest. Acquisition of the above mentioned building is aimed to facilitate the extension of American Restaurants Kft.'s office in Budapest.

The fair value of assets acquired and liabilities assumed was as follows:

Cash	3
Property, plant and equipment (Note 10)	1 935
Receivables	5
Other non-current assets	9
Payables and accruals	(6)
Net assets acquired	1 946
Recognised in the income statement negative difference between purchase price and assets acquired	(43)
Total purchase consideration	1 903
Cash paid on acquisition	1 903
Net cash and cash equivalents in subsidiary acquired	(3)
Cash outflow on acquisition	1 900

The principal activity of the acquired business was to lease office building to American Restaurants Kft and the acquisition had no material impact on the Group's financial position and performance as at and for the period ended 31 December 2007.

Establishment of American Restaurants EOOD

On 27 April 2007 the Group established a new company - American Restaurants EOOD based in Sofia, Bulgaria. American Restaurants Sp. z o.o. subscribed for 100% of its equity and voting rights. This company has been established to open and operate KFC and Pizza Hut restaurants in Bulgaria.

(in thousands of Polish zloty unless otherwise stated)

Entering the Russian restaurant market

DESCRIPTION OF THE ACQUISITION

On 15 May 2007 AmRest Holdings N.V. set up the new company - AmRest Acquisition Subsidiary, Inc., based in Delaware, USA.

On 2 July 2007 AmRest Acquisition Subsidiary, Inc. acquired from an independent individual (the "Seller") 100% of US Strategies, Inc., based in New Jersey, USA, which controlled 91% of shares and voting rights of OOO Pizza Nord - a franchisee of Pizza Hut and Rostic-KFC brands in Russia. In the same day, American Restaurants Sp. z o.o. (100% subsidiary of AmRest Holdings N.V.) acquired remaining 9% of shares and voting rights of OOO Pizza Nord owned by independent individuals. As a result of above transactions the Group effectively gained 100% control over OOO Pizza Nord, operating on the Russian market 19 Pizza Hut and 22 Rostic-KFC restaurants and located primarily in St. Petersburg and Moscow. As a result the Group gained the market share of Pizza Hut and KFC restaurants in Russia of about 75% and 20% respectively. There are several franchisees of KFC and Pizza Hut restaurants in Russia and there is no exclusivity for one operator.

On 2 July 2007 US Strategies, Inc. and AmRest Acquisition Subsidiary, Inc. merged together into one legal entity - AmRest Acquisition Subsidiary, Inc.

The above acquisition was the next step in the Group's plans to become the largest restaurant company in Central and Eastern Europe.

PROVISIONAL FAIR VALUES ALLOCATION

The purchase price allocation process has not been finalized yet as certain necessary valuations are still in progress. Details of provisional fair values of net assets acquired, goodwill and purchase price as at the date of acquisition are as follows:

	Carrying amounts	Preliminary fair value and other adjustments	Provisional fair values
Cash and cash equivalents	962	-	962
Property, plant and equipment (Note 10)	18 543	6 721	**25 264**
Intangible assets (Note 11)	209	1 479	**1 688**
Inventories	1 595	(130)	**1 465**
Trade and other receivables	6 997	(5 965)	**1 032**
Other current assets	2 459	(1 161)	**1 298**
Other non-current assets	3 875	31 877	**35 752**
Trade, other payables, provisions	(34 183)	(4 886)	**(39 069)**
Net assets acquired	457	27 935	**28 392**
Goodwill			142 696
Total purchase consideration			**171 088**
Satisfied in cash			70 332
Satisfied in shares			99 987
Incremental costs - due diligence			769
Total purchase consideration			**171 088**
Cash paid on acquisition			70 332
Net cash and cash equivalents in subsidiary acquired			(962)
Cash outflow on acquisition			**69 370**

The provisional fair values of assets and liabilities acquired are based on the amounts from OOO Pizza Nord historical accounting records, preliminary adjusted to reflect some deviation from fair values and changes in accounting policies. These values will be subject to further adjustments as additional information is obtained. Such additional information may include valuation reports. The final valuation of acquired assets, assumed liabilities and contingent liabilities will be completed as at 30 June 2008. This process may result in further adjustments to the carrying amounts of identifiable net assets as at the acquisition date. The management does not believe that any net adjustments resulting from such review would have a material adverse effect on the Group. The main reasons of the accounting still being provisional are uncompleted fair valuations of contingent tax liabilities and property plant and equipment.

Provisional fair values and other adjustments presented in the table above related mostly to:

- fair value adjustments to the carrying value of certain items of property plant and equipment;
- valuation of favorable contracts classified as intangible assets;
- valuation of unfavorable contracts classified as provisions;
- valuation of receivable and prepayment from the previous owner of OOO Pizza Nord - operating lease contract related to the certain item of property (Note 13).

PARTIAL SETTLEMENT IN OWN SHARES

Part of the purchase price was satisfied in the Company's own 670 606 shares. The fair value of shares transferred (99 987 TPLN) was determined based on the market price of one share (PLN 149.1) reported on the Warsaw Stock Exchange as at the 2 July 2007 (Note 19).

Due to the fact that the new share issue takes several weeks to arrange, in order to satisfy the above consideration (shares), the Company borrowed own shares (670 606 shares) from its main shareholder – IRI (it owned as at the date of transfer 35% of votes and shares in AmRest Holdings N.V.). On 27 August 2007 the Company issued 670 606 new shares and on 12 October 2007 repaid them to IRI. Settlement was set in fixed number of shares. This was treated as an equity transaction and no change in fair value of shares in the period from 2 July 2007 – 12 October 2007 was recognized.

SUBSEQUENT ADJUSTMENTS TO THE PURCHASE CONSIDERATION

The purchase consideration is contingent as it is based on the expected OOO Pizza Nord Earnings Before Interests, Taxes, Depreciation and Amortisation (EBITDA). The purchase consideration was determined provisionally upon the acquisition date as the best estimate of the expected EBITDA for the period from 2 July 2007 - 30 June 2008 multiplied by 7 and reduced by assumed liabilities of 34 506 TPLN. There are no caps or floors for subsequent adjustments of the purchase price therefore it is highly dependent on the performance of acquired restaurants in the period from 2 July 2007- 30 June 2008. The Group expects based on the actual performance of the acquired business that the final purchase consideration will be reduced. The anticipated reduction approximates to 32 709 TPLN. The purchase consideration presented in the above table was not adjusted for that effect as the initial provisional accounting is not completed. The final purchase price will be determined as at 30 June 2008 based on the actual EBITDA.

SECURITY

The pledge was established on all shares which were part of the purchase consideration in order to secure the Group's potential future claims and receivables from the seller. Those may result from the described above adjustment to the purchase price (contingent consideration). The Seller is also responsible for any undisclosed liabilities that arose prior to the acquisition. To secure that, shares were transferred to the deposit account rather than directly to the Seller and will be gradually released within 5 years period. The potential receivables and claims from the Seller will be settled via cash or variable number of shares, depending on its market price upon settlement. Voting rights attached to the pledged shares shall be exercised by the seller.

GOODWILL

The provisional goodwill relates mainly to benefits of getting access to the Russian restaurant market and its customers. Due to the characteristic of the Group's restaurant operations, it does not hold a register of its customers which are not bound by any contract and are not individually identified. Restaurants in Russia operate in accordance with franchise agreements similar to agreements concluded with restaurants in Poland, Hungary and the Czech Republic. The management believes that franchise agreements concluded by OOO Pizza Nord are based on market conditions therefore they were not fair valued as intangible assets separately from goodwill.

The smallest cash generating unit of the acquired business is each individual restaurant. However goodwill was preliminary allocated to all Group's Russian restaurants as is monitored for internal management purposes on country basis and cannot be allocated on a non-arbitrary basis to individual restaurants. Goodwill will be tested for impairment for the first time by the end of June 2008, once the purchase price allocation is completed.

FINANCIAL IMPACT OF THE ACQUISITION

Based on the provisional fair values determined, from the date of acquisition to 31 December 2007, the acquisition contributed 57 332 TPLN to turnover and 1 705 TPLN to net profit.

If the acquisition had been made at the beginning of the financial year, OOO Pizza Nord would have contributed 112 299 TPLN to revenue and 5 350 TPLN to decrease net profit. This information takes into account the amortisation of acquired intangible assets, based on their provisional fair values, together with related income tax effects and should not be viewed as indicative of the results of operations that would have occurred if the acquisitions had been made at the beginning of the year.

Establishment of AmRest Coffee s.r.o.

In order to operate Starbucks cafes in Czech Republic, on 14th of April 2007 r. the Group established a new company - AmRest Coffee s.r.o. American Restaurants Sp. z o.o. subscribed for 82% of voting rights and shares and Starbucks Coffee International, Inc subscribed for 18%.

This company has been established in relation to the agreement with Starbucks Coffee International, Inc. described in Note 1a and 29.

Establishment of AmRest Kávézó Kft.

In order to operate Starbucks cafes in Hungary, on 31st of August 2007 r. the Group established a new company - AmRest Coffee Kft. American Restaurants Sp. z o.o. subscribed for 82% of voting rights and shares and Starbucks Coffee International, Inc subscribed for 18%.

This company has been established in relation to the agreement with Starbucks Coffee International, Inc. described in Note 1a and 29.

Establishment of AmRest D.O.O.

On 12th of October 2007 American Restaurants Sp. z o.o. and ProFood Invest GmbH ("ProFood") established a new company AmRest D.O.O., Serbia, Belgrade.

American Restaurants Sp. z o.o. subscribed for 60% of voting rights and shares and ProFood Invest GmbH subscribed for 40%.

The company will operate KFC restaurants in Serbia.

(in thousands of Polish zloty unless otherwise stated)

5 Operating expenses

Operating expenses are as follows:

	2007	2006
Depreciation (Note 10)	45 999	37 485
Amortisation (Note 11)	6 198	6 108
Food and materials	301 950	225 996
Utilities	26 715	22 454
External services	52 780	39 111
Payroll	158 614	111 657
Social security and other employee benefits	35 755	26 475
Operating leases (occupancy costs) (Note 26)	64 545	45 040
Marketing expenses	38 991	30 590
Continuing franchise fees	50 244	37 300
Insurance	1 052	1 127
Business travel	3 679	2 355
Onerous contracts	763	950
Other	4 569	2 171
	791 854	588 774

Total restaurant expenses	734 458	543 924
Depreciation and amortisation expenses (G&A)	2 809	3 416
Other general and administrative expenses	54 587	41 434
	791 854	588 774

Impairment costs are as follows:		
Impairment of inventory (Note 3, 14)	-	201
Impairment of receivables (Note 3, 33)	14	376
Total impairment of current assets	14	577
Impairment of assets held for sale (Note 3)	-	300
Impairment of property, plant and equipment (Note 3, 10)	1 694	2 240
Total impairment of non-current assets	1 194	2 540
Total impairments	1 708	3 117

(in thousands of Polish zloty unless otherwise stated)

6 Other operating income

	2007	2006
Management fee	51	313
Sublease income (Note 26)	1 748	2 095
Marketing income	2 168	1 696
Other operating income	4 473	1 401
	8 441	5 505

7 Finance income

	2007	2006
Interest income	1 515	458
Foreign exchange gain, net	2 167	4 726
Waiver of loan from related party (Note 31)	-	3 396
Other	-	91
	3 682	8 671

8 Finance cost

	2007	2006
Interest expense	(5 170)	(4 035)
Other	(2 793)	(812)
	(7 963)	(4 847)

9 Taxation

	2007	2006
Current tax	(16 258)	(8 613)
Change in deferred tax	1 021	(1 674)
Tax presented in profit and loss account	(15 237)	(10 287)

Tax rates applicable to the Company and its subsidiaries are as follows:

	Holland	Poland	Czech Republic	Hungary	Ukraine	Russia	Serbia	Bulgaria
2007	29.6%	19%	24%	20%	20%	24%	10%	19%
2006	29.6%	19%	24%	16%	20%	-	-	-

(in thousands of Polish zloty unless otherwise stated)

The deferred tax assets and liabilities were calculated using tax rates as follows:

	Holland	Poland	Czech Republic	Hungary	Ukraine	Russia	Serbia	Bulgaria
2007	29.6%	19%	24%	20%	20%	24%	10%	19%
2006	29.6%	19%	24%	20%	20%	-	-	-

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2007	2006
Profit before tax	63 930	48 812
Tax calculated at domestic tax rates applicable to profits in the respective countries	13 571	9 673
Permanent differences	(732)	(544)
Utilisation of previously unrecognised tax losses	188	35
Tax loss for current year for which no deferred tax assets was recognised	1 812	486
Deferred tax asset recognised in the period for previously unrecognised tax losses	250	331
Other differences	148	306
Tax presented in the profit and loss account	15 237	10 287

The weighted average applicable tax rate was 21% (for the period ended 31.12.2006: 23%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective countries.

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 offset amounts are as follows:

	31.12.2007	31.12.2006
Deferred tax asset:		
Deferred tax asset to be recovered after more than 12 months	261	350
Deferred tax asset to be recovered within 12 months	12 018	9 452
	12 279	9 802
Deferred tax liability:		
Deferred tax liability to be recovered after more than 12 months	213	40
Deferred tax liability to be recovered within 12 months	2 003	720
	2 216	760

(in thousands of Polish zloty unless otherwise stated)

Temporary differences after offsetting included in the calculation of deferred tax asset and liability are as follows:

	Deferred tax asset		Deferred tax liability	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Tangible fixed assets (depreciation)	3 714	6 867	2 216	760
Receivables	550	540	-	-
Provisions and impairments	6 255	889	-	-
Tax losses	1 513	899	-	-
Other differences	247	607	-	-
	12 279	9 802	2 216	760

Temporary differences before offsetting are as follows:

	Deferred tax asset		Deferred tax liability	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Tangible fixed assets (depreciation)	5 413	6 355	6 195	1 182
Receivables	550	540	-	-
Provisions and impairments	6 255	889	-	-
Tax losses	1 513	899	-	-
Other differences	247	1 629	573	88
	13 978	10 312	6 768	1 270

Tax losses carried forward as at 31 December 2007 are as follows:

Holland	6 122
Poland	858
Czech Republic	2 937
Hungary	4 293
Ukraine	1 973
	16 183

Year of expiry	Tax losses total value	Tax losses included in deferred tax asset	Tax losses for which no deferred tax asset was recognised
2008	3 152	-	3 152
2009	1 736	-	1 736
2010	1 456	-	1 456
2011	188	-	188
Without limits	9 651	1 513	8 138
	16 183	1 513	14 670

At 31 December 2007, the Group has not recognized a deferred tax asset relating to all tax losses, due to uncertainty regarding their realization. This uncertainty results form the planned restructuring and lack of operating activities of few subsidiaries.

Tax authorities may investigate tax returns (not closed by these authorities so far) of companies within the group in 3-5 years since the end of the period covered by these financial statements.

(in thousands of Polish zloty unless otherwise stated)

10 Property, plant and equipment

Movements in property, plant and equipment in 2007 and 2006 can be presented as follows:

2007	Land	Buildings & restaurant development assets	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
Acquisition cost							
Balance at 1.1.2007	946	247 874	135 451	940	9 435	20 883	415 529
Acquisitions (Note 4)	-	6 593	14 789	204	519	5 094	27 199
Additions	-	23 054	23 735	-	4 616	47 857	99 262
Disposals	-	(11 867)	(5 729)	(6)	(612)	(1 660)	(19 874)
Transfers	-	31 662	9 363	-	228	(41 253)	-
Exchange rate differences	(27)	(3 235)	(3 396)	(38)	(412)	(1 096)	(8 204)
Balance at 31.12.2007	919	294 081	174 213	1 100	13 774	29 825	513 912
Accumulated depreciation							
Balance at 1.1.2007	-	126 525	85 688	518	4 314	-	217 045
Additions	-	28 091	15 358	265	2 285	-	45 999
Disposals	-	(9 206)	(3 344)	(5)	(301)	-	(12 856)
Exchange rate differences	-	(1 101)	(1 291)	(14)	(186)	-	(2 592)
Balance at 31.12.2007	-	144 309	96 411	764	6 112	-	247 596
Impairment losses							
Balance at 1.1.2007	-	5 541	14	-	33	1 191	6 779
Additions (Note 3, 5)	-	1 676	8	-	10	-	1 694
Disposals	-	(4 521)	(19)	-	(41)	(1 008)	(5 589)
Exchange rate differences	-	(74)	5	-	5	9	(55)
Balance at 31.12.2007	-	2 622	8	-	7	192	2 829
Net book value 1.1.2007	**946**	**115 808**	**49 749**	**422**	**5 088**	**19 692**	**191 705**
Net book value 31.12.2007	**919**	**147 150**	**77 794**	**336**	**7 655**	**29 663**	**263 487**

(in thousands of Polish zloty unless otherwise stated)

2006	Land	Buildings & restaurant development assets	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
Acquisition cost							
Balance at 1.1.2006	1 912	228 478	119 480	688	5 388	6 354	362 300
Acquisitions	-	3 565	1 064	113	837	-	5 579
Additions	-	5 802	13 028	111	1 305	34 199	54 445
Disposals	-	(4 477)	(1 516)	(210)	(846)	(1 287)	(8 336)
Transfers	-	14 904	906	226	2 564	(18 600)	-
Transfers to assets held for sale (Note 18)	(1 004)	(3 172)	-	-	-	-	(4 176)
Exchange rate differences	38	2 774	2 489	12	187	217	5 717
Balance at 31.12.2006	946	247 874	135 451	940	9 435	20 883	415 529
Accumulated depreciation							
Balance at 1.1.2006	-	104 643	72 209	523	3 606	-	180 981
Additions	-	23 477	12 844	143	1 021	-	37 485
Disposals	-	(2 442)	(846)	(154)	(446)	-	(3 888)
Transfers to assets held for sale (Note 18)	-	(315)	-	-	-	-	(315)
Exchange rate differences	-	1 162	1 481	6	133	-	2 782
Balance at 31.12.2006	-	126 525	85 688	518	4 314	4 314	217 045
Impairment losses							
Balance at 1.1.2006	-	5 450	-	-	-	1 728	7 178
Additions (Note 3, 5)	-	2 217	-	-	23	-	2 240
Disposals	-	(2 174)	-	-	-	(521)	(2 695)
Transfers	-	32	-	-	-	(32)	-
Exchange rate differences	-	16	14	-	10	16	56
Balance at 31.12.2006	-	5 541	14	-	33	1 191	6 779
Net book value 1.1.2006	**1 912**	**118 385**	**47 271**	**165**	**1 782**	**4 626**	**174 141**
Net book value 31.12.2006	**946**	**115 808**	**49 749**	**422**	**5 088**	**19 692**	**191 705**

(in thousands of Polish zloty unless otherwise stated)

Property, plant and equipment presented below comprise items under finance lease, were the Group is the lessee:

	Land	Buildings	Machinery & equipment	Vehicles	Other tangible assets	Total
Acquisition cost 31.12.2007	800	2 650	16 463	241	477	20 631
Accumulated depreciation 31.12.2007		894	7 503	77	363	8 837
Net book value 31.12.2007	800	1 756	8 960	164	114	11 794
Acquisition cost 31.12.2006	827	2 738	53	-	53	3 618
Accumulated depreciation 31.12.2006	-	787	53	-	53	840
Net book value 31.12.2006	827	1 951	-	-	-	2 778

A calculation of the loss on the disposal of fixed assets and a summary of impairment losses incurred in 2007 and 2006 is presented in the table below:

	2007	2006
Proceeds from the sale of property, plant and equipment and intangible assets	520	1 082
Net book value of property, plant and equipment and intangible assets disposed	(1 814)	(1 753)
Loss on disposal of property, plant and equipment and intangibles	(1 294)	(671)
Gain on disposal of assets held for sale (Note 18)	139	2 082
Gain/(Loss) on disposal of property, plant and equipment, intangible assets and non-current assets held for sale	(1 155)	1 411

According to loan agreement with ABN Amro Bank N.V. (Note 20) the property, plant and equipment of American Restaurants Sp. z o.o. and American Restaurants s.r.o. are used as collateral. The net book value of these assets amounted to 181 085 TPLN (31 December 2006: 164 152 TPLN).

Depreciation expense has been charged in 'restaurant expenses' – 43 676 TPLN (previous period: 34 427 TPLN) and in general and administrative (G&A) expenses – 2 323TPLN (previous period: 3 058 TPLN).

(in thousands of Polish zloty unless otherwise stated)

11 Other intangible assets

Intangible assets movements in 2007 and 2006 can be presented as follows:

2007	Favourable leases	Rights to use Pizza Hut, KFC and Burger King trademarks	Other intangible assets	Total
Acquisition cost				
Balance at 1.1.2007	9 465	16 315	9 058	34 838
Acquisitions (Note 4)	-	1 422	266	1 688
Additions	-	3 431	2 876	6 307
Disposals	-	(992)	(727)	(1 719)
Exchange rate differences	-	(401)	(64)	(465)
Balance at 31.12.2007	9 465	19 775	11 409	40 649
Accumulated amortisation				
Balance at 1.1.2007	4 238	11 410	6 260	21 908
Additions	2 865	1 848	1 485	6 198
Disposals	-	(962)	(342)	(1 304)
Exchange rate differences	-	(143)	(35)	(178)
Balance at 31.12.2007	7 103	12 153	7 368	26 624
Impairment losses				
Balance at 1.1.2007	-	101	-	101
Additions	-	(30)	-	(30)
Disposals	-	-	-	-
Exchange rate differences	-	-	-	-
Balance at 31.12.2007	-	70	-	70
Net book value 1.1.2007	**5 227**	**4 804**	**2 798**	**12 829**
Net book value 31.12.2007	**2 362**	**7 552**	**4 041**	**13 955**

(in thousands of Polish zloty unless otherwise stated)

2006	Trademarks	Favourable leases	Rights to use Pizza Hut and KFC trademarks	Other intangible assets	Total
Acquisition cost					
Balance at 1.1.2006	338	8 389	14 851	8 843	32 421
Acquisitions	-	1 076	89	42	1 207
Additions	-	-	1 280	241	1 521
Disposals	(349)	-	(193)	(118)	(660)
Exchange rate differences	11	-	288	50	349
Balance at 31.12.2006	-	9 465	16 315	9 058	34 838
Accumulated amortisation					
Balance at 1.1.2006	39	1 377	9 642	4 979	16 037
Additions	69	2 861	1 814	1 364	6 108
Disposals	(110)	-	(193)	(119)	(422)
Exchange rate differences	2	-	147	36	185
Balance at 31.12.2006	-	4 238	11 410	6 260	21 908
Impairment losses					
Balance at 1.1.2006	-	-	62	42	104
Additions	-	-	-	-	-
Disposals	-	-	(4)	-	(4)
Exchange rate differences	-	-	1	-	1
Balance at 31.12.2006	-	-	59	42	101
Net book value 1.1.2006	299	7 012	5 147	3 822	16 280
Net book value 31.12.2006	-	5 227	4 846	2 756	12 829

Other intangible assets comprise mainly software.

There are no intangible assets self-generated and capitalised by the Group.

Amortisation expense has been charged in 'restaurant expenses' - 5 712 TPLN (previous period: 5 750 TPLN) and in general and administrative (G&A) expenses - 486 TPLN (previous period: 358 TPLN).

(in thousands of Polish zloty unless otherwise stated)

12 Goodwill

Changes in goodwill can be presented as follows:

	2007	2006
Acquisition cost		
Balance at the beginning of period	23 516	4 765
Additions (Note 4)	142 696	18 666
Exchange rate differences	(10 859)	85
Balance at the end of period	155 353	23 516
Impairment losses		
Balance at the beginning of period	-	-
Balance at the end of period	-	-
Net book value, beginning of period	**23 516**	**4 765**
Net book value, end of period	**155 353**	**23 516**

Acquisitions prior to 2007

Goodwill in the amount of 18 666 TPLN (18 693 TPLN as at 31 December 2007 after the adjustment for positive foreign exchange differences of 27 TPLN) relates to the acquisition of American Restaurants Kft. (previous name: Kentucky System Kft.) in June 2006, whereas goodwill in the amount of 4 819 TPLN (4 829 TPLN as at 31 December 2007 after the adjustment for positive foreign exchange differences of 10 TPLN) relates to the acquisition of miklik's food s.r.o. in May 2005.

New acquisitions

Provisional goodwill in the amount of 142 696 TPLN (131 831 TPLN as at 31 December 2007 after the adjustment for negative foreign exchange differences in the amount of 10 865 TPLN) relates to the acquisition of OOO Pizza Nord (Note 4).

Impairment tests

As at 31 December 2007 the Group performed tests for impairment of goodwill related to the acquisitions of American Restaurants Kft. and miklik's food s.r.o. The smallest cash generating unit of the acquired businesses is each individual restaurant in Czech Republic and Hungary. However goodwill was allocated to all Group's restaurants in each country as it is monitored for internal management purposes on country basis and cannot be allocated on a non-arbitrary basis to individual restaurants. This group of cash generating units for goodwill impairment test is consistent with the Group's reportable segment as determined in accordance with IAS 14.

Similar assumptions were for the impairment test of goodwill on acquisition of American Restaurants Kft. and miklik's food s.r.o. The recoverable amount of the cash generating unit was based on a calculation of value in use. This calculation uses cash flow projections based on past performance and expectations for the market development and the five-year business plan. A pre-tax discount rate of approximately 10.8 per cent has been used in discounting the projected cash flows. Budgeted operating margin was assumed at the level of about 9% and growth rate used to extrapolate cash flow beyond budget period was 5%.

The provisional goodwill related to the acquisition of OOO Pizza Nord will be tested for impairment once the provisional accounting is completed, i.e. as at 30 June 2008 (see Note 4).

(in thousands of Polish zloty unless otherwise stated)

13 Other non-current assets

The other non-current assets balance at 31 December 2007 and 31 December 2006 are summarized in the table below:

	31.12.2007	31.12.2006
Operating lease prepayments	11 753	13 308
Receivable from the previous owner of OOO Pizza Nord - operating lease contract (Note 4)	16 562	-
Prepayment (3 years) to the previous owner of OOO Pizza Nord - operating lease contract (Note 4)	10 600	-
Rent deposits	8 250	3 869
Other	787	549
	47 952	17 726

Receivable from the previous owner of OOO Pizza Nord in the amount of 16 562 TPLN is denominated in USD, matures within 7 years and its effective interest rate is 9.9%. The fair value of the receivable approximates the balance sheet value.

14 Inventories

Inventories at 31 December 2007 and 31 December 2006 comprise primarily of food and packaging materials used in restaurant operations. Inventories are stated net of provisions. The balance of provisions amounted to 795 TPLN as at 31 December 2007 and 31 December 2006. There were no changes of provisions for inventories in the 12 months period ended 31 December 2007 (previous period: increase of 201 TPLN) (Note 3, 5).

Inventories with a value of 7 363 TPLN (31 December 2006: 6 383 TPLN) are pledged as security for loan received from ABN Amro Bank N.V. (Note 20).

15 Trade and other receivables

	31.12.2007	31.12.2006
Trade receivables - third party	12 628	9 805
Trade receivables - related parties (Note 31)	56	93
Other taxes receivable	6 041	3 853
Other receivables	1 595	1 379
Provisions for receivables (Note 32)	(3 587)	(3 670)
	16 733	11 460

16 Other current assets

	31.12.2007	31.12.2006
Prepaid utilities	2 866	2 420
Prepaid rent	4 760	1 926
Prepaid insurance	187	293
Other	3 808	1 337
	11 621	5 976

(in thousands of Polish zloty unless otherwise stated)

17 Cash and cash equivalents and held to maturity financial assets

The cash and cash equivalents balance at 31 December 2007 and 31 December 2006 are summarized in the table below:

	31.12.2007	31.12.2006
Cash at bank	36 182	14 344
Cash in hand	10 691	10 897
	46 873	25 241

The Group purchased held to maturity financial assets (certificates of deposits) on November 2006 for the amount of 9 954 TPLN with a maturity on January 2007. The balance sheet value of the investment amounted to 9 984 TPLN as at 31 December 2006. Effective interest rate was 4,59%.

In January 2007 held-to-maturity financial assets matured and the cash was received in the amount of 9 984 TPLN. There were no held to maturity financial assets as at 31 December 2007.

The Group considers credit risk of cash at bank to be very low. Fair value of those investments approximates carrying amounts. The maximum exposure to credit risk of those investments approximates to their balance sheet value.

18 Assets held for sale

In May 2007 a transaction of selling a restaurant building located in Poland for 4 000 TPLN was concluded.

The calculation of gain on disposal of non-current assets classified as assets held for sale is as follows:

	2007	2006
Revenue from disposals of assets held for sale	4 000	5 000
Net book value of assets held for sale	(3 861)	(2 918)
Profit from disposal of assets held for sale	139	2 082

Non-current assets held for sale belonged to the geographical segment „Poland".

As at 31 December 2007 the Group does not have any assets held for sale (31 December 2006: 3 861 TPLN).

19 Equity

Share capital

As stated in Note 1(a), on 27 April 2005 r. the shares of AmRest Holding N. V. commenced trading on the Warsaw Stock Exchange (WSE) in Poland.

As of 31 December 2007, there are 14 170 606 shares issued and outstanding (31 December 2006: 13 500 000 shares). All issued shares are fully paid. The authorized share capital consists of 15 000 000 shares.

On 27th of August 2007 the new issue of 670 606 shares was registered. The issue related to the acquisition of OOO Pizza Nord (further details - Note 4). The nominal value of the issue was 25 TPLN. Share premium amounted to 99 962 TPLN.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings of the Company.

(in thousands of Polish zloty unless otherwise stated)

Other reserves

Other reserves of 6 191 TPLN relates to the non-refundable contribution, without the issuance of new shares, made by the shareholders of the Group before the IPO on WSE.

Translation Reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Group into PLN. Translation reserves as at 31 December 2007 relates to the following items:

	31.12.2007
Translation differences on goodwill	10 865
Exchange differences arising on the eliminated upon consolidation group loans for which settlement is neither planned nor likely to occur in the foreseeable future, which form part of a net investment in a foreign operation	8 675
Translations of the results and financial position of foreign operations into presentation currency	3 914
	23 454

20 Interest-bearing loans and borrowings

The table below presents interest-bearing loans and borrowings at 31 December 2007 and 31 December 2006:

Non-current	31.12.2007	31.12.2006
Bank loans	124 146	72 140
	124 146	72 140

Current	31.12.2007	31.12.2006
Bank loans	38 552	918
	38 552	918

Bank loans

Currency	Bank	Effective interest rate	31.12.2007	31.12.2006
PLN	BPH-PBK	6.62%	-	918
PLN	ABN Amro Bank N.V.	5.60%	77 000	-
CZK	ABN Amro Bank N.V.	3.81%	69 810	72 140
RUB	Raiffaisen Bank	12.26%	5 300	-
RUB	OAO FDC	12.50%	10 588	-
			162 698	73 058

(in thousands of Polish zloty unless otherwise stated)

Bank loans comprise mainly of investments loans bearing floating interest rates based on PRIBOR, RIBOR and WIBOR. Contractual reprising of bank loans and interest rate risk is on a monthly basis.

According to the loan agreement with ABN Amro Bank N.V., the Group is required to maintain certain financial ratios as specified in the agreement. These include net debt index, (the ratio of net debt to EBITDA), interest coverage and the balance sheet structure (the net fixed assets defined as total consolidated equity less net intangible assets and the net goodwill to total assets). The Group maintained all financial ratios described above as at 31 December 2007.

Please refer to Note 10 and 14 for details regarding security pledged for the above loans.

Effective interest rates are similar to market rates for given types of loans. Fair value of presented above liabilities is not significantly different from carrying amounts.

Maturity of bank loans is presented below:

	31.12.2007	31.12.2006
Less than 1 year	38 552	918
Between 1-2 years	55 927	13 741
Between 2-5 year	64 552	41 223
Over 5 years	3 667	17 176
	162 698	73 058

The Group has the following undrawn borrowing facilities:

	31.12.2007	31.12.2006
Floating rates		
- expiring within one year	14 489	10 202
- expiring after one year	57 000	23 831
	71 489	34 033

21 Employee benefits and share option plans

Long term service employee benefits

In accordance with the Company's employment regulations, certain employees have the right to jubilee payments for long-term employment in accordance with the Group's employment regulations. These employees receive a lump sum in local currency equivalent to USD 300 after the completion of 5 years of employment and a lump sum in local currency equivalent to USD 1 000 after the completion of 10 years of employment. The Group has made an accrual of 1 221 TPLN for the jubilee obligation as of 31 December 2007 and 913 TPLN as of 31 December 2006. The accrual for the jubilee obligation related to the management amounted as at 31 December 2007 4 TPLN. Actuarial assumptions: discount rate: 5.5% and expected turnover % per year: 40.

Share option plan 1

The plan was set up in 1999 and initially settled in cash. It related to the Group's key employees. Upon the Group's IPO on 27 April 2005, the plan was converted to settled in shares instead of cash. Additionally all obligations under the plan were assumed by ARC (See Note 1a). ARC assumed responsibility for the option settlements with employees (vested and not vested upon IPO). The value of liability in the amount of 1 944 TPLN was transferred to the equity.

(in thousands of Polish zloty unless otherwise stated)

Share option plan 2

In April 2005, the Group established an employee stock option plan for key employees, settled in shares. The total number of shares to which options are granted is determined by the Board but cannot exceed 3% of the total outstanding shares. In addition, the number of shares acquired by employees from options exercised is limited to 200 000 annually. Under the plan, the Company is entitled to determine among other matters, participating employees, number of options granted and the grant date. The option price and the vesting period will generally be the closing share price at the option grant date and carry either a 3 or 5 year vesting period.

The terms and conditions of the grants are as follows:

Grant date	Number of options granted	Vesting conditions	Exercise price in PLN	Contractual life of options
Plan 1				
at 30 April 1999	75 250	5 years, graded, 20% per year	6.4	10 years
at 30 April 2000	53 750	5 years, graded, 20% per year	25.6	10 years
at 30 April 2001	76 300	5 years, graded, 20% per year	25.6	10 years
at 30 April 2002	74 600	5 years, graded, 20% per year	16.0	10 years
at 30 April 2003	55 100	5 years, graded, 20% per year	16.0	10 years
at 30 April 2004	77 800	5 years, graded, 20% per year	19.2	10 years
Total	412 800			
Plan 2				
At 30 April 2005	79 300	5 years, graded, 20% per year	24.0	10 years
At 30 April 2006	75 000	5 years, graded, 20% per year	48.4	10 years
At 30 April 2007	89 500	5 years, graded, 20% per year	96.5	10 years
Total	243 800			

The number and weighted average exercise prices of share options for the 12 months period ended 31 December 2007 and 12 months ended 31 December 2006 are as follows:

	2007			2006		
	Weighted average exercise price	Number of options Plan 2	Number of options Plan 1	Weighted average exercise price	Number of options Plan 2	Number of options Plan 1
Outstanding at the beginning of the period	PLN 26.9	151 400	182 200	PLN 20.6	79 300	203 900
Exercised during the period	-	-	(17 800)	PLN 18.3	-	(9 140)
Forfeited during the period	PLN 29.4	(29 770)	(33 200)	PLN 19.7	(2 900)	(12 560)
Granted during the period	PLN 96.5	89 150	-	PLN 48.4	75 000	-
Outstanding, end of the period	PLN 42.3	210 780	131 200	PLN 26.9	151 400	182 200
Exercisable at the end of the period	PLN 22.2	45 770	123 380	PLN 20.0	15 760	146 660

(in thousands of Polish zloty unless otherwise stated)

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a trinominal tree model and Monte-Carlo model. The contractual life of the option (10 years) is used as an input into this model. Expectations of early exercise are incorporated into the trinominal tree model.

Fair value of stock options and performance participation plan units and related assumptions are summarized below:

	Granted in the period from 1/1/2007 to 31/12/2007	Granted in the period from 1/1/2006 to 31/12/2006	Granted in the period from 1/1/2005 to 31/12/2005		Granted till the end of 2004
	Plan 2	Plan 2	Plan 2	Plan 1	Plan 1
Average fair value at grant date	PLN 27.2	PLN 15.5	PLN 8.9	PLN 6.8	PLN 6.6
Average share price at grant date/date of valuation	PLN 96.5	PLN 48.3	PLN 25.7	n/a	n/a
Average exercise price	PLN 96.5	PLN 48.3	PLN 24.0	PLN 18.6	PLN 18.6
Expected volatility (expressed as weighted average volatility used in the modelling under the trinomial tree model)*	33%	31%	40%	40%	40%
Expected option life (expressed as weighted average life used in the modelling under the trinomial tree model	9.9 years	9.9 years	9.9 years	7.0 years	7.5 years
Expected dividends (commencing 2008)	18.8%	18.8%	18.8%	19.4%	19.4%
Risk free interest rate (based on interbank interest rates)	5.5%	4.98%	4.5%	4.5%	5.8%

* Prior to 2006 the Company had no history of public quotations on WSE and the expected volatility for options granted before 2006 was based on the historic volatility of comparable companies operating on the WSE (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. For options granted in 2006 and 2007, the fair value at grant date was based on actual volatility of quotations of the Company.

Share options are granted under a service condition. There are no market conditions associated with the share option grants.

Expenses recognized related to share-based payments plans can be summarized as follows:

	2007	2006
Value of employee services	1 433	497

(in thousands of Polish zloty unless otherwise stated)

Pension, health care, sickness fund state contributions

Expenses of contributions to the government are as follows:

	2007	2006
Pension, health care, sickness fund state contributions	31 291	26 328

There are no other compensation benefits (apart from these mentioned above) such as post-employment benefits (other than required by law in particular countries) or termination benefits.

22 Provisions

The table below presents a roll forward of provisions:

2007	01.01.2007	Additions	Used	Released	Translation reserve	31.12.2007
Onerous lease contracts	3 322	890	(869)	(1 185)	(35)	2 123
Provision for legal claims	2 243	-	(1 418)	(128)	-	697
	5 565	890	(2 287)	(1 313)	(35)	2 820

2006	01.01.2006	Additions	Used	Released	Translation reserve	31.12.2006
Onerous lease contracts	3 150	909	(323)	(449)	35	3 322
Provision for legal claims	1 540	703	-	-	-	2 243
	4 690	1 612	(323)	(449)	35	5 565

Provision for onerous contracts

As at the balance sheet date the Group recognised provision for loss making lease contracts. The contracts are mainly related to locations, where the Group does not operate restaurants but subleases locations to other entities at unfavourable conditions. Provision was calculated using 10.9% discount rate. The increase of discount rate by 10.00% (from 10.9% to 12.0%) would result in a decrease of provision by 54 TPLN.

Reserve for legal claims

From time to time, the Group is involved in routine litigation and proceedings during the current course of business. As of the balance sheet date, the Group has recorded the provision for legal claims detailed above, which represents the Group's best estimate of the probable loss expected to result from such litigations or proceedings.

(in thousands of Polish zloty unless otherwise stated)

23 Other non-current liabilities

Other non-current liabilities comprise mainly non-current portion of deferred income from advertising services provided to one of the Group's suppliers (non-related party). For information on non-current portion please refer to Note 24. The Group has received in advance a cash remuneration of 750 TUSD for advertising services which are to be rendered over 5 years period, starting 1 January 2006. Non-current portion of deferred income in relation to that amounted to 1 014 TPLN and 1 521 TPLN at 31 December 2007 and 31 December 2006, respectively.

24 Trade and other accounts payable

Trade and other accounts payable are summarized in the table below:

	31.12.2007	31.12.2006
Accounts payable to third parties:	94 385	63 428
Trade payables	60 859	43 119
Uninvited rent and deliveries for restaurants	10 644	7 428
Payables to employees	7 518	5 162
Social insurance liability	4 566	3 447
Other taxes payable	4 127	1 711
Deposit received	-	80
Other accounts payable to third parties	6 671	2 481
Accounts payable to related parties (Note 31)	1 120	3 404
Accruals:	14 622	9 790
Bonuses to employees	4 386	3 669
Marketing services	986	-
Unused holidays	5 688	3 817
Professional services	2 191	2 255
Accrued acquisition costs (business combinations)	849	-
Other	522	49
Deferred income - current portion (Note 23)	1 006	800
Social Fund	417	481
	111 550	77 903

25 Finance lease liabilities

Finance lease liability – present value of liability:

	31.12.2007	31.12.2006
No later than 1 year	1 442	68
Later than 1 year, no later than 5 years	1 342	413
Later than 5 years	2 818	2 913
	5 602	3 394

(in thousands of Polish zloty unless otherwise stated)

Finance lease liabilities – minimum lease payments:

	31.12.2007	31.12.2006
No later than 1 year	2 154	669
Later than 1 year, no later than 5 years	3 685	2 657
Later than 5 years	5 570	5 972
Total minimum lease payments	11 409	9 298
Future finance charges on finance leases	(5 807)	(5 904)
Present value of finance lease liabilities	5 602	3 394

26 Operating leases

The Group has numerous operating leases, primarily for the rental of restaurant locations. Rental contracts for restaurant locations are typically concluded for a period of ten years, subject to certain minimum notice periods for cancellation.

Estimated minimum lease payments related to non-cancellable operating lease agreements are as follows:

	31.12.2007	31.12.2006
No later than 1 year	44 354	38 914
Later than 1 year, no later than 5 years	228 097	142 434
Later than 5 years	85 589	107 925
Total minimum lease payments	358 041	289 273

For numerous restaurants (mainly for those located in shopping malls) the rental fees are composed of a fixed fee and a fee contingent on the revenues of the restaurant. The contingent fee typically represents 2.5% to 9% of restaurant sales. Operating lease expenses are as follows (Note 5):

	2007			2006		
	Fixed part	Contingent part	Total	Fixed part	Contingent part	Total
Czech Republic	13 658	2 361	16 019	12 565	1 605	14 170
Hungary	3 499	346	3 845	1 445	303	1 748
Poland	21 421	13 080	34 501	18 651	10 471	29 122
Russia	9 479	251	9 730	-	-	-
Bulgaria	353	-	353	-	-	-
Serbia	97	-	97	-	-	-
	48 507	16 038	64 545	32 661	12 379	45 040

The Group also is also a party of sub-operating leases. Revenues from such contracts are as follows (Note 6):

	2007	2006
Czech Republic	81	83
Hungary	49	35
Poland	1 618	1 977
	1 748	2 095

(in thousands of Polish zloty unless otherwise stated)

27 Loan security

Loans are secured by various means of pledge and mortgage on tangible fixed assets and on inventories – see Note 10 and 14.

28 Earnings per share

Basic and diluted earnings per ordinary share are calculated as follows:

	2007	2006
Net profit attributable to shareholders of the parent	48 402	38 466
Ordinary shares at 1 January	13 500 000	13 500 000
Effect of shares issued	336 227	-
Effect of stock options granted in 2005	59 678	36 130
Effect of stock options granted in 2006	36 293	-
Effect of stock options granted in 2007	-	-
Weighted average number of ordinary shares	13 932 198	13 536 130
Basic earnings per share	3.50	2.85
Diluted earnings per share	3.47	2.84

The effect of potential ordinary shares resulting from stock options granted is slightly dilutive.

29 Commitments and contingencies

Under the signed franchise agreements related to KFC and Pizza Hut, the Group must from time to time upgrade, modify, renovate or replace all or part of its restaurants or any of their fittings, fixtures or signage or any of the equipment, systems or inventory used in the restaurant in order to maintain compliance with the relevant franchisor's then current standards. During each of the initial term and the renewal term, if any, the franchisor may not require more than two comprehensive refurbishments of all fittings, fixtures, signage, equipment, systems and inventory in the "front-of-house" area of each restaurant to then current standards and more than one comprehensive refurbishment of all fittings, fixtures, signage, equipment, systems and inventory in the "back-of-house" area of each restaurant. The Group estimates the cost of upgrades at 1.5 percent of annual restaurant sales in future periods.

Commitments arose on concluded agreements with Burger King and Starbucks as well as main conditions of current and future franchise agreements are described in Note 1(a) and 1(f).

(in thousands of Polish zloty unless otherwise stated)

30 Investments in associates

Changes in investments in associates can be presented as follows:

	2007	2006
At the beginning of the period	1 221	574
Acquisition of shares	-	10
Share of profit of associates	1 132	637
Exchange differences	-	-
	2 353	1 221

The Group's investments in associates, all of which are unlisted, and their main financial data are as follows:

Name of associate	Country	Assets	Liabilities	Revenues	Profit/ (loss)	% of interest held
31 December 2007						
Worldwide Communication Services LLC	USA	145	79	-	(6)	33.33
Synergy Marketing Partners Sp. z o.o	Poland	127	71	2 733	6	26.66
Red 8 Communications Group Sp. z o.o.	Poland	5 287	2 095	16 027	1 962	17.33
Synergy Marketing Partners s.r.o.	Czech Republic	21	0	168	9	24.00
SCM Sp. z o.o	Poland	4 193	305	5 443	1 671	45.00
SCM s.r.o.	Czech Republic	188	79	425	109	40.50

Name of associate	Country	Assets	Liabilities	Revenues	Profit/ (loss)	% of interest held
31 December 2006						
Worldwide Communication Services LLC	USA	156	82	-	(83)	33.33
Global Communication Services Sp. z o.o.	Poland	41	98	-	(7)	33.33
Synergy Marketing Partners Sp. z o.o	Poland	2 758	2 664	19 525	18	26.66
Red 8 Communications Group Sp. z o.o.	Poland	2 410	882	10 458	445	17.33
Synergy Marketing Partners s.r.o.	Czech Republic	664	653	775	(17)	24.00
SCM Sp. z o.o	Poland	2 518	301	4 602	1 481	45.00

(in thousands of Polish zloty unless otherwise stated)

31 Related parties

Trade and other receivables from related parties:

	31.12.2007	31.12.2006
Metropolitan Properties International Sp. z o.o.	34	26
American Retail Concepts	-	11
American Retail Systems Sp. z o.o.	3	-
Associates	19	56
	56	93

Trade and other payables to related parties:

	31.12.2007	31.12.2006
ARC	524	556
American Retail Systems Sp. z o.o.	271	161
Associates	325	2 687
	1 120	3 404

Sales of goods and services:

	2007	2006
Metropolitan Properties International Sp. z o.o.	8	26
American Retail Systems Sp. z o.o.	103	84
Associates	83	72
	194	182

Purchases of goods and services:

	2007	2006
Metropolitan Properties International Sp. z o.o.	285	281
ARC	3 816	3 116
American Retail Systems Sp. z o.o.	1 841	1 609
Associates	5 261	18 193
	11 203	23 199

ARC, IRI, American Retail Systems Sp. z o.o., Metropolitan Properties International Sp. z o.o.

As described in Note 1(a), ARC together with its subsidiaries - IRI, American Retail Systems Sp. z o.o. are related parties as at 31 December 2007 and as at 31 December 2006. Metropolitan Properties International Sp. z o.o. is the company owned by Henry McGovern.

ARC was founded by Donald M. Kendall, Sr., Donald M. Kendall, Jr. and Christian R. Eisenbeiss, who served as Supervisory Board members of the Group as at 31 December 2007 and Henry J. McGovern who is a Management Board member of the Company and the senior executive managing the operating businesses in Poland and the Czech Republic.

(in thousands of Polish zloty unless otherwise stated)

The ownership structure of ARC as at 31 December 2007 is shown in the table below:

	Percent Ownership
Donald M. Kendall, Sr.	30.00%
Donald M. Kendall, Jr.	18.25%
Christian R. Eisenbeiss	28.36%
Henry J. McGovern	22.49%
David A. Bobilya	0.90%

The Group also received management and consultancy services provided by ARC for the Czech and Polish operating entities. The major obligation is for ARC to provide management services including paying the salaries and certain other expenses of certain members of the Group's management team. These salaries and services are invoiced to the Group's subsidiaries monthly. The professional fees paid by the Company and its subsidiaries to ARC amounted to 3 816 TPLN and 3 116 TPLN for the twelve months ended 31 December 2007 and 31 December 2006, respectively.

Additionally, the Group created a provision for estimated costs related to management services provided by ARC in the amount of 1 330 TPLN (31 December 2006: 1 611 TPLN).

Starting from 27 April 2005, ARC assumed obligations for the settlement of stock option plan (See Note 21).

In addition to its ownership interest in the Group, ARC conducts real estate operations through its wholly-owned subsidiary, American Retail Systems Sp. z o.o. (ARS). The Group leases three restaurant properties from ARS at market rates consistent with the lease terms and conditions in its restaurant leases with third parties.

As at 31 December 2007 r. the Group recognised in its consolidated balance sheet prepayments for rent amounting to 10 280 TPLN) made in 2005 on behalf of ARS in connection with concluded lease contracts for 4 restaurants for ten-year period starting in 2007.

The Group's offices in Wroclaw are also located in a building owned by ARS and Metropolitan Properties International Sp. z o.o.

The rent and other costs paid by the Group and its subsidiaries to ARS were 1 842 TPLN and 1 609 TPLN for the twelve months ended 31 December 2007 and 31 December 2006, respectively.

The rent and other costs paid to the company owned by Henry McGovern – MPI were 285 TPLN and 281 TPLN for the twelve months ended 31 December 2007 and 31 December 2006, respectively.

The Group payables in respect of the above mentioned transactions amounted to 795 TPLN and 161 TPLN as at 31 December 2007 and at 31 December 2006, respectively.

On 1 April 2006, waiver of loans from IRI and YUM! came into force, based on loan waiver agreements signed by IRI and dated September 4th, 2006. The agreements covered loans granted to the Group by IRI and YUM! in previous years. The carrying amount of these loans upon 1 April 2006 was 3 396 TPLN. As at 31 December 2005, carrying amount of these loans was 3 059 TPLN (1 332 TPLN (YUM!) and 1 727 TPLN (IRI)). Shortly before the waiver, YUM! transferred its receivables related to the loan to IRI. As loans were waived, the Group recognised in 2006 a profit in the amount of 3 396 TPLN which was presented as finance income (See Note 7).

(in thousands of Polish zloty unless otherwise stated)

Associates

Worldwide Communication Services LLS

Worldwide Communication Services LLS (WCS) and its subsidiaries provided the Group with marketing services until the end of March 2007. Amounts billed by WCS to the Group (mainly through its subsidiary – Synergy Marketing Partners Sp. z o.o.) for 2007 and 2006 amounted to 3 839 TPLN and 17 919 TPLN, respectively.

Transactions with key management personnel

Key management remuneration (members of the Management Board of AmRest Holdings N.V.) paid by ARC and directly by the Group is as follows:

	2007	2006
Management Board remuneration paid by ARC	40	120
Including additional benefits	-	-
Management Board remuneration paid directly by the Group	2 286	1 206
Including additional benefits	-	-
Management Board remuneration, total	2 326	1 326
Including additional benefits	-	-

Key personnel of the Group receive also remuneration from ARC (apart from the management of the Company, subsequently recharged to the Group) Management remuneration paid by ARC amounted to 3 815 TPLN and 3 282 TPLN for 2007 and 2006, respectively.

Key management participates also in share option programs (see Note 21). Share based payment expense which relates to key management amounted to 222 TPLN and 76 TPLN in 2007 and 2006 respectively.

	31.12.2007	31.12.2006
Number of options granted	131 000	117 000
Number of options available	102 800	83 400
Fair value of options at the moment of grant	1 415 000 PLN	918 300 PLN

There were no commitments to former employees as at 31 December 2007 and 2006.

32 Critical accounting estimates and judgments

Key sources of estimation and uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate mostly to goodwill impairment, depreciation and amortisation, deferred tax.

(in thousands of Polish zloty unless otherwise stated)

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy presented in Note 1n. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations (Note 12). No impairment was recognised in relation to goodwill existing at 31 December 2007 and 31 December 2006. The 10% increase of discount rate (from 10.8% to 12%) or the 10% decrease of operating cashflow, would not result in impairment charge.

Estimated depreciation rates

The increase of average useful lives by 10% would result in a decrease of depreciation expense for 2007 by approximately 4 609 TPLN.

Judgments

The most critical judgments relate to lease classification – See Notes 25 and 26 and recognition of deferred tax asset on tax losses carry forward – Note 9.

33 Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including currency and interest rate risk), liquidity risk and to a limited degree credit risk. The Group's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse affects on the Group's financial performance.

Risk management is carried out under policies approved by the management.

Credit risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents and receivables. The Group places its cash and cash equivalents in financial institutions with high credit ratings. There are no significant concentrations of credit risk with respect to trade and other receivables as sales are primarily made in cash or via major credit card. In 2007 Group created additional provision for receivables exposed to credit risk in the amount of 14 TPLN (Note 3, 5). Maximum amount exposed to credit risk is 36 882 TPLN.

The timing structure of receivables and bad debt allowances is as follows:

	current	past due in days				**Total**
		up to 90	91 - 180	181 - 365	over 365	
Trade and other receivables	14 424	1 201	377	178	4 140	**20 320**
Bad debt allowance	-	(9)	(54)	(50)	(3 474)	**(3 587)**
	14 424	1 192	323	128	666	**16 733**

The Group did not recognise impairment of past due trade and other receivables amounting to 2 309 TPLN because it expects that they will be recovered in a total amount.

(in thousands of Polish zloty unless otherwise stated)

Interest rate risk

The Group's interest-bearing borrowings typically bear floating interest rates (see Note 20). The exposure to interest rate cash flow risk is not hedged. The Group analyses current market situation regarding interest rates taking into consideration refinancing or renegotiating the terms of contracts. The impact on profit or loss is analysed on a quarterly basis.

If interest rates on borrowings in the 12 months period ended 31 December 2007 had been 10% higher/lower, profit for the year would have been about 786 TPLN lower/higher.

Foreign currency risk

The Group is exposed to foreign currency risk arising from various currency exposures other than currencies used in the relevant companies of the Group. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities. In addition, the rent due on a significant portion of the Group's restaurant leases is indexed to US dollar or euro exchange rates. Although the Group seeks where possible to agree rents in local currency, many lessors still require rents to be indexed to euro or US dollar exchange rates.

In order to minimize exposure to foreign currency risk, among other things, the Group aims to reduce the impact of short-term fluctuations. Over the long term, however, permanent changes in the foreign exchange and interest rates would have an impact on consolidated earnings.

As at the 31 December 2007, Group's assets and liabilities are denominated mainly in the functional currencies of its subsidiaries. If the Czech crown had strengthened/weakened by additional 10% against the US dollar, profit for the year would have been 2 331 TPLN higher/lower.

The Group currently does not use derivatives to manage currency risk.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and equivalents and the availability of funding from adequate amount of committed credit lines.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Maturity of long term and short term loans is as follows (undiscounted):

	2007			2006		
	Capital instalments	Interests and other costs	Total	Capital instalments	Interests and other costs	Total
Less than 1 year	38 552	9 890	48 442	918	2 796	3 714
Between 1 - 2 year	55 927	13 226	69 153	13 741	2 491	15 314
Between 2 - 5 year	64 552	4 618	69 170	41 223	4 425	45 648
Over 5 years	3 667	70	3 737	17 176	489	17 665
	162 698	27 804	190 502	73 058	10 201	82 341

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total engaged capital. Net debt is calculated as total borrowings (including borrowings and payables) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

(in thousands of Polish zloty unless otherwise stated)

The gearing ratios at 31 December 2007 and 31 December 2006 were as follows:

	12'2007	12'2006
Bank loans total (Note 20)	162 698	73 058
Less: cash and cash equivalent (Note 17)	(46 873)	(25 241)
Net debt	115 825	47 817
Total equity	291 423	155 875
Capital involved	407 248	203 692
Gearing ratio	28%	23%

34 Subsequent events

- On 21st January 2008 the letter of intent between AmRest and BKE regarding Bulgaria was signed. Both parties have agreed to enter into negotiations intended for BKE to grant AmRest a development agreement and franchise agreements in Bulgaria. The negotiations will include the specific terms and conditions that will be mutually acceptable to both parties as it relates to AmRest developing and operating Burger King restaurants in Bulgaria.
- On 27th February 2008 AmRest signed the final asset purchase agreement, regarding 9 Rostik's–KFC restaurants operated by OOO Tetra in Russia. The total transaction price amounted to USD 12 million. The agreement assumes that the payment for particular restaurants will be made through separate escrow account and cash will be released to the seller once the lease rights, regarding particular restaurants, are transferred from OOO Tetra to the Group. AmRest will fully control these restaurants once these rights are actually transferred.
- On 31st March 2008 AmRest signed the final asset purchase agreement, regarding 5 Rostik's–KFC restaurants operated by OOO Fast Food Restaurants Group in Russia. The total transaction price amounts to USD 6.15 million. The agreement assumes that the amounts regarding particular restaurants will be made through separate escrow account and final payments will be released once the lease rights, regarding particular restaurants, are transferred from OOO Fast Food Restaurants Group to AmRest. AmRest will fully control these restaurants once these rights are actually transferred.

AmRest Holdings N.V.

Company Financial Statements

as at and for the twelve months ended 31 December 2007

Table of contents:

General

The Company is a public limited company incorporated under the laws of The Netherlands and acts as a holding company.

Amrest Holdings N.V. was established as a joint stock company in October 2000 in the Netherlands. The Company's head office is located in Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands. The company's financial statements have been drawn up in accordance with Dutch GAAP (Part 9 of Book 2 of The Netherlands Civil Code). In doing so, the company made use of the possibility to apply the accounting policies (including the policies for the presentation of financial instruments as equity or loan capital) used in the consolidated financial statements to the company financial statements, as provided in Section 362 (8) of Book 2 of the Netherlands Civil Code.

On 27 April 2005, the shares of AmRest Holdings N.V. commenced trading on the Warsaw Stock Exchange ("WSE") in Poland.

As at 31 December 2006 the Company's largest shareholder with a 37.5% voting rights and ownership interest remained IRI. In 2007 IRI sold further part of its shares. As at 31 December 2007 IRI had 8.46 % of voting rights and ownership interest and the Company's largest shareholder was WBK AIB Asset Management with a 14.62% voting rights and ownership interest.

The principal activity of the Group, conducted by its subsidiaries in Poland, the Czech Republic, Hungary Bulgaria, Russia and Serbia is to operate Kentucky Fried Chicken („KFC") and Pizza Hut franchised restaurants, as well as "Rodeo Drive" restaurants in Poland and the Czech Republic and solely in Poland "Burger King", „Ice*Land" and "Freshpoint" restaurants.

The financial statements are presented in US Dollars rounded to the nearest thousand

Amsterdam, 24 April 2008

Board of directors

H.J. McGovern

W.G. Mroczynski

AmRest Holdings N.V.
Company Financial Statements
For the year ended 31 December 2007

Balance sheet as at 31 December 2007

Before appropriation of profit	Notes	31 December 2007	31 December 2006 (restated)
(Expressed in USD)		x1,000	x1,000
Fixed assets			
Financial fixed assets			
Shares in subsidiaries	1	143.412	54.818
Loans to related parties	2	2.415	-
Total fixed assets		145.827	54.818
Current assets			
Cash at banks		2	59
Other receivable		5	
Total current assets		7	59
Current liabilities (due within one year)			
Accruals and deferred income	3	72	29
Tax liability	4	414	
Amounts due to related parties	5	99	-
Total current liabilities		585	29
Non current liabilities			
Amounts due to related parties	6	27.340	-
Assets less current and non-current liabilities		117.909	54.848
Provisions	1		1.172
		117.909	53.676
Capital and reserves	7		
Paid up and called up share capital		188	178
Share premium account		74.453	38.304
Other reserves		11.380	(343)
Translation reserve		14.234	3.814
Result of the year		17.654	11.723
Total shareholder's equity		117.909	53.676

Profit and loss account for the year 2007

	2007	2006
(Expressed in USD)	x1,000	x1,000
Profit of participating interest after tax	17.474	9.425
Other results after tax	180	2.298
Net profit	17.654	11.723

The accompanying notes form an integral part of these finan

Notes to the annual accounts

The Company acciunts of the Company are included in the consolidated accounts of the AmRest Holdings N.V.
Therefore, and in accordance with Article 402 of Book 2of Civil Codein the Netherlands, the profit and loss account only reflects the income from fixed investments after taxation and other income expenses after taxes.

Basis of presentation

The company annual accounts have been drawn up in accordance with Dutch GAAP (Part 9 of Book 2 of the Netherlands Civil Code).
In doing so, the company made use of the possibility to apply the accounting policies used in the consolidated financial statements to the company financial statements, as provided in Section 362 (8) of Book 2 of the Netherlands Civil Code.

The principles of valuation and determination of result remain unchanged compared to the prior year.
These financial statememts are prepared on a going concern basis.

Financial fixed assets

The Company values its subsidiaries at net equity value. Profits made and losses incurred by these entities will be reflected in the Company's profit and loss account and equity transaction directly in equity.
Subsidiaries with an equity deficit are first remeasured to a value of nil, than any loans provided to these subsidiaries that are part of the net invenstment in the subsidiary are decreased in value.
For any excess losses a provision is made if AmRest has a legal or constructive obligation and it is probable that there will be an outflow of resources and the amount of this outflow can be reliably estimated.

The accompanying notes form an integral part of these finan

Notes to the annual accounts (continued)

			31 December 2007	31 December 2006
			x1,000	x1,000
Balance sheet				
Shares in subsidiaries				
1 Name	Domicile	Owned (Prior year)		
American Restaurants Sp.z.o.o.	Wroclaw, Poland	100% (100%)	80.849	54.818
American Restaurants s.r.o.	Prague, Czech Republic	100% (100%)	-	-
Amrest Acquisition Subsidiary Inc.	Delware, The United States	100% (100%)	62.563	
			143.412	54.818

The Company valued its participations at net equity value. Profits made and losses incurred by these entities are reflected in the profit and loss account.

The negative net equity value of American Restaurants s.r.o. has been deducted from the loan and interest receivable from that subsidiary.

Movements in the interests in American Restaurants Sp.z o.o. (x1,000) have been as follows:

	31 December 2007	31 December 2006
Balance as per 1 January (previously reported)	55.462	
a) correction for method of calculation accruals for unused holiday	(644)	
Balance as per 1 January (adjusted)	54.818	42.382
Share in result	13.015	6.806
SOP	518	160
Translation	12.498	5.470
Balance as per 31 December	80.849	54.818

Movements in the interests in American Restaurants s.r.o. (x1,000) have been as follows:

	31 December 2007	31 December 2006
Balance as per 1 January	(9.382)	(10.382)
Share in result	3.898	2.619
Translation	(2.034)	(1.619)
Balance as per 31 December	(7.518)	(9.382)

Because of the negative value of the investment in American Restaurants s.r.o.:
- the loan granted to American Restaurants s.r.o. (see note 2) with unpaid interests of 9 933 TUSD has been wiritten off to 2 415 TUSD

Movements in the interests in Amrest Acquisition Sub (x1,000) have been as follows:

	31 December 2007	31 December 2006
Balance as per 1 January	-	-
Acquisitions/contributions	58.924	-
Share in result	561	-
Translation	3.078	-
Balance as per 31 December	62.563	-

2 The loan granted to American Restaurants s.r.o. with unpaid interests of 9 933 TUSD has been netted with the negative net equity value of American Restaurants s.r.o. (note 1).

	31 December 2007	31 December 2006
Balance as per 1 January	9.382	
Interest on loans to related parties	406	
Translation	145	
Provision for net eqiuty subsidiary	(7.518)	
Balance as per 31 December	2.415	-

The accompanying notes form an integral part of these finan

Notes to the annual accounts (continued)

		31 December 2007	31 December 2006
		x1,000	x1,000
3	**Accruals and deferred income**		
	Tax advisory fee	19	11
	Audit fee	42	15
	Administration and Management fee	2	3
	Other financial fee		-
	Other payables	9	-
		72	29
	Tax liability		
4	Corporate income tax	414	-
		414	-
	Amounts due to related parties		
5	American Restaurants Sp.z o.o. - current liabilities	99	
6	American Restaurants Sp.z o.o. - non-current liabilities	27.340	-
		27.439	-

7 Capital and reserves

The authorised share capital of the Company amounts to EUR 150,000 divided into 15,000,000 shares of EUR 0.01 each. Issued and paid up are 14,170,606 shares of EUR 0.01.

The management proposes to add the unappropriate results to the other reserves.

x1,000	Share capital	Share premium	Translation reserve	Other reserves	Unappropriated results
Balance as per 01.01.2006 (previously reported)	160	37.412	(26)	(7.357)	7.688
a) correction of Stock Option Plan	-	732	-	-	(732)
b) correction for accounting treatment for lease arrangement	-	-	3	(144)	(27)
c) correction for accounting capitalisation of developmemt costs relating in Czech Group	-	-	4	-	229
Balance as per 01.01.2006 (restated)	160	38.144	(19)	(7.501)	7.158
Transfer	-	-	-	7.158	(7.158)
Stock Option Plan (Note 8)	-	160	-	-	-
Translation	18	-	3.833	-	-
Result for the period	-	-	-	-	12.367
Balance as per 31.12.2006	178	38.304	3.814	(343)	12.367
Balance as per 01.01.2007 (previously reported)	178	38.304	3.814	(343)	12.367
a) correction for method of calculation accruals for unused holiday (Note 8)					(644)
Balance as per 01.01.2007 (restated)	178	38.304	3.814	(343)	11.723
Issue of shares	10	35.631			
Paid-in / (repaid) up to 31 December	-	-	-	-	-
Transfer	-	-	-	11.723	(11.723)
Stock Option Plan (Note 8)	-	518	-	-	
Translation		-	10.420		-
Result for the period	-	-	-	-	17.654
Balance as per 31.12.2007	188	74.453	14.234	11.380	17.654

8 Correction of accounting treatment

a) correction for method of calculation accruals for unused holiday

In 2007, Company concluded that the method of calculation accruals for unused holidays was incorrect. This adjustment had influence the following positions previously published in the financial statement:

	12 months ended 31 December 2006
Decrease results of subsidiaries (investment in American Restaurants Sp.z o.o.	(644)
Decrease of profit for the period - results of subsidiaries (investment in American Restaurants Sp.z o.o.)	644
	-

9 Related parties company

The table below presents a summary of subsidiaries included within the group of the Company (the "Group") at 31 December 2007:

Company	City and country of incorporation	Core business	Parent undertaking	Ownership interest and total vote	Date of effective control
American Restaurants Sp. z o.o.	Wroclaw, Poland	Restaurant activity in Poland	AmRest Holdings N.V.	100,00 %	December 2000
American Restaurants s.r.o.	Prague, Czech Republic	Restaurant activity in the Czech Republic	AmRest Holdings N.V.	100,00 %	December 2000
International Fast Food Polska Sp. z o.o.	Wroclaw, Poland	No operations conducted currently	American Restaurants Sp. z o.o.	100,00 %	January 2001
Pizza Hut s.r.o.	Prague, Czech Republic	No operations conducted currently	American Restaurants s.r.o. American Restaurants Sp. z o.o.	99,973% 0,027%	December 2000
American Restaurants, Kft	Budapest, Hungary	Restaurant activity in Hungary	American Restaurants Sp. z o.o.	100,00 %	June 2006
Grifex I Sp. z o.o. **	Wroclaw, Poland	No operations conducted currently	American Restaurants Sp. z o.o.	48,00 %	September 2003
Galeria Arka Sp. z o.o.	Warsaw, Poland	Restaurant activity in Poland	American Restaurants Sp. z o.o.	100,00 %	March 2005
Amrest Ukraina t.o.w.	Kiev, Ukraine	No operations conducted currently	American Restaurants Sp. z o.o.	100,00 %	December 2005
Doris 2006 Sp. z o.o	Warsaw, Poland	Lessee of space where a restaurant is opened	American Restaurants Sp. z o.o.	100,00 %	October 2006
AmRest Coffee Sp. z o.o	Wroclaw, Poland	Operation of coffee stores in Poland	American Restaurants Sp. z o.o. Starbuks Coffee International, Inc	82,00 % 18,00%	March 2007
Bécsi út.13 Kft	Budapest, Hungary	Owner of building ,where the office surface is placed	American Restaurants Kft	100,00 %	April 2007
American Restaurants EOOD	Sofia, Bulgaria	Restaurant activity in Bulgaria	American Restaurants Sp. z o.o.	100,00 %	April 2007
AmRest Coffee s.r.o.	Wroclaw, Poland	Operation of coffee stores in Czech Republic	American Restaurants Sp. z o.o. Starbuks Coffee International, Inc	82,00 % 18,00%	August 2007
AmRest Acquisition Subsidiary Inc.	Wilmington, USA	Holding activity	AmRest Holding N.V.	100,00 %	May 2007
OOO AmRest**	Petersburg, Russia	Restaurant activity in Russia	AmRest Acquisition Subsidiary Inc. American Restaurants Sp.z o.o.	91,00 % 9,00%	July 2007
OOO KFC Nord	Moscow, Russia	No operations conducted currently	OOO AmRest	100,00 %	July 2007
OOO KFC South	Moscow, Russia	No operations conducted currently	OOO AmRest	100,00 %	July 2007
OOO Sistema Bistrogo Pitania	Moscow, Russia	No operations conducted currently	OOO AmRest	100,00 %	July 2007
AmRest Kávézó Kft	Budapest, Hungary	Operation of coffee stores in Hungary	American Restaurants Sp. z o.o. Starbucks Coffee International, Inc	82,00 % 18,00 %	August 2007
AmRest D.O.O.	Belgrad, Serbia	Restaurant activity in Serbia	American Restaurants Sp. z o.o. ProFood Invest GmbH	60,00 % 40,00%	October 2007

* On the 30 of September the Group finished liquidation of Fried Chicken s.r.o. company and withdraw from the business register.
** Despite the fact that the Group holds a 48% of voting rights and ownership interest it consolidates the Company as a subsidiary, since on the basis of agreements with the main shareholder, it has the right to control the Company's operating and financial activities.
*** On the 23 of October OOO Pizza Nord changed its name to OOO AmRest

The above companies are considered to be related parties to the Company.

The table below presents a summary of associates included within the Group at 31 December 2007:

Company	City and country of incorporation	Core business	Parent undertaking	Ownership interest and total vote	Initial investment
Worldwide Communication Services LLC	Nevada, USA	Marketing services for the Group	American Restaurants Sp. z o.o.	33.33 %	October 2003
Global Communication Services Sp. z o.o. *	Warsaw, Poland	Liquidation of the company	Worldwide Communication Services LLC	33.33 %	May 2002
Synergy Marketing Partners Sp. z o.o.	Warsaw, Poland	No operations conducted currently	Worldwide Communication Services LLC.	26.66%	May 2002
Red 8 Communications Group Sp. z o.o. **	Warsaw, Poland	Marketing services for the Group	Worldwide Communication Services LLC	17.33%	May 2002
Synergy Marketing Partners s.r.o. in liquidation	Prague, Czech Republic	No operations conducted currently	Synergy Marketing Partners Sp. z o.o.	24.00%	February 2005
SCM Sp. z o.o.	Chotomów, Poland	Delivery services for restaurants operated by the Group	American Restaurants Sp. z o.o.	45.00%	April 2005
SCM s.r.o.	Prague, Czech Republic	Delivery services for restaurants operated by the Group	SCM Sp.z o.o.	40.50%	March 2007

* On the 17th of December the Group finished liquidation of Global Communication Services Sp. z o.o and withdraw from the business register.
** The Group holds a 17,33% of voting rights and ownership interest in Red 8 Communications Group Sp. z o.o. The Group has the right to influence the company's operations
The Group has the right to influence the company's operations siginificantly, as it is a subsidiary of an associated entity - Worldwide Communication Services LLC, which holds 52% of voting rights.

The above companies are considered to be related parties to the Company.

10 Share options schemes - all infirmation are presented in Note 22 in Consolidated Financial Statements

Staff numbers and employment costs
The Company has no employees and hence incurred no wages, salaries or related social security charges during the reporting period, nor during the previous year.

Directors
The Company has two (previous year: two) managing directors, who receive no remuneration.
Remuneration to Managing directors are paid by American Restaurants Sp. z o.o. and American Restaurants s.r.o.
The Company has five (previous year: six) supervisory directors, who are renumerated by Company

Notes to the annual accounts (continued)

Transactions with key management personnel

Key management (members of the management board of AmRest Holdings N.V.) remuneration received from other entities the AmRest Group is as follows:

	12 months ended 31 December 2007	12 months ended 31 December 2006
H.J. McGovern	558	450
W.G.Mroczyński	283	184
	841	634

Key management also participate in share options programs.
Share based payment expense which relates to key management amounted to:

	12 months ended 31 December 2007	12 months ended 31 December 2006
H.J. McGovern	59	20
W.G.Mroczyński	22	5
	81	25

Supervisory of the board (members of the supervisory of the board of AmRest Holdings N.V.) remuneration is as follows:

	12 months ended 31 December 2007	12 months ended 31 December 2006
D.M. Kendall Sr.	7	6
D.M. Kendall Jr.	7	6
P. Sohmidt	7	6
J. Sykora	7	6
P.S.Breimyr	7	6
C.R. Eisenbeiss	-	6
	28	30

As at December 31st 2007, Henry McGovern held a total of 120 000 units (options) under the Stock Option Plan, of which 100 000 units have vested. As at December 31st 2007, their value amounted to USD 1 208 thousand.

As at December 31st 2007, Wojciech Mroczyński held a total of 11 000 units (options) under the Stock Option Plan, of which 2 800 units have vested. As at December 31st 2006, their value amounted to USD 206 thousand.

At 31 December 2007 there were no commitments to former employees.

Amsterdam, 24 April 2008

Board of directors

W.G. Mroczynski

H.J. McGovern

Other Information

Appropriation of results
Subject to the provisions under Dutch law that no dividends can be declared until all losses have been recovered, other reserves and unappropriated results are at the disposal of the shareholder in accordance with the Company's articles of association.
Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the shareholder's equity exceeds the amount of the issued capital and the legal and/or statutory reserves.

The management proposes to the shareholder to add the result for the year to the other reserves.

Audit of accounts
The auditor's report is set forth on the following page.

Subsequent events
No events have occurred since balance sheet date, which would change the financial position of the Company and which would require adjustment of or disclosure in the annual accounts now presented.

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3009 AV Rotterdam
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To the shareholders of
Amrest Holdings N.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2007 of Amrest Holdings N.V., Rotterdam as set out on pages 70 to 139 which comprise the consolidated balance sheet as at 31 December 2007, the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the balance sheet as at 31 December 2007, the income statement for the year then ended and the notes.

Management's responsibility

The management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Amrest Holdings N.V. as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 25 April 2008

PricewaterhouseCoopers Accountants N.V.

N.W. Over de Vest RA