Consolidated Director's Report for 6 months ended 30 June 2020

AmRest Holdings SE

24 September 2020

AmRest


AmRest

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(all figures in EUR millions unless stated otherwise)

Financial highlights (consolidated data)

	6 months ended		3 months ended	
	30 June 2020	**30 June 2019**	**30 June 2020**	**30 June 2019**
Revenue	684.0	927.7	272.1	482.8
EBITDA*	64.6	165.8	22.0	89.0
EBITDA margin	9.5%	17.9%	8.1%	18.4%
Adjusted EBITDA**	65.8	169.9	22.2	91.5
Adjusted EBITDA margin	9.6%	18.3%	8.2%	19.0%
Profit from operations (EBIT)	(140.1)	35.2	(116.5)	17.8
Margin from operations (EBIT margin)	(20.5%)	3.8%	(42.8%)	3.7%
Profit before tax	(172.5)	15.3	(124.5)	8.2
Net profit	(162.3)	11.0	(120.0)	7.2
Net margin	(23.7%)	1.2%	(44.1%)	1.5%
Net profit attributable to non-controlling interests	(1.6)	0.6	(0.9)	0.5
Net profit attributable to equity holders of the parent	(160.7)	10.4	(119.1)	6.7
Cash flows from operating activities	101.4	147.7	64.5	91.2
Cash flows from investing activities	(29.6)	(110.2)	(15.5)	(65.4)
Cash flows from financing activities	36.9	(53.8)	24.5	(31.3)
Total cash flows, net	108.7	(16.3)	73.5	(5.5)
Total Equity (as at 30 June 2020 and 2019 respectively)	297.5	434.3	297.5	434.3
Total assets (as at 30 June 2020 and 2019 respectively)	2 320.5	2 247.3	2 320.5	2 247.3
Net debt (as at 30 June 2020 and 2019 respectively)	611.6	595.8	611.6	595.8
Leverage ratio (as at 30 June 2020 and 2019 respectively)	5.37x	3.03x	5.37x	3.03x
Average weighted number of ordinary shares in issue	219 251	221 395	219 256	221 120
Average weighted number of ordinary shares for diluted earnings per shares	219 453	222 472	219 399	222 045
Basic earnings per share (EUR)	(0.73)	0.05	(0.54)	0.03
Diluted earnings per share (EUR)	(0.73)	0.05	(0.54)	0.03
Declared or paid dividend per share (EUR)	-	-	-	-

** EBITDA – Profit from operations before depreciation, amortization and impairment losses. Reconciliation of the Alternative Performance Measure is presented in table 3 or 4.*

*** Adjusted EBITDA – EBITDA adjusted for new openings expenses (Start-up costs), M&A expenses (all material expenses connected with successful acquisition covering professional services (legal, financial, other) directly connected with transaction) and effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan). Reconciliation of the Alternative Performance Measure is presented in table 3 or 4.*

	As at 30 June 2020	**As at 31 December 2019**
Total assets	2 320.5	2 435.0
Total liabilities	2 023.0	1 958.3
Non-current liabilities	916.1	1 459.4
Current liabilities	1 106.9	498.9
Equity attributable to shareholders of the parent	290.2	467.2
Non-controlling interests	7.3	9.5
Total equity	297.5	476.7
Share capital	22.0	22.0
Number of restaurants	2 318	2 337
-of which equity	1 844	1 858
-of which franchise	474	479

Group Business Overview

Basic services provided by the Group

AmRest Holdings SE ("AmRest", "Company") with its subsidiaries (the "Group") is one of the leading publicly listed European restaurant operators, present in 26 countries of Europe and Asia. The portfolio of the Group consists of four franchised brands (KFC, Pizza Hut, Starbucks, Burger King) and eleven proprietary brands including six virtual brands (La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop, and virtual brands: Pokaï, Lepieje, 'Oi Poke, Moya Misa Ramen, Pierwsze i Drugie, Viva Salad!). The offer of virtual brands in Poland is available also under Food About concept that enables to order different virtual brand dishes under one order.

As at 30 June 2020, AmRest managed the network of 2 318 restaurants. Given the current scale of the business, every day almost 44 thousand AmRest employees deliver delicious taste and exceptional service at affordable prices.

Currently, the Group manages the network of restaurants across four segments, which are aligned with the main geographical regions of its operations:

1) Central and Eastern Europe ("CEE"), where historically the Company was founded and opened its first restaurant under the name of Pizza Hut; today CEE division covers the region of 10 countries (Poland, Czech Republic, Hungary, Bulgaria, Serbia, Croatia, Romania, Austria, Slovenia and Slovakia) and has 996 restaurants under its umbrella;
2) Western Europe ("WE"), a segment which primarily consists of Spain, France and Germany, where both franchised and proprietary brands are operated; as a result of dynamic organic expansion supported by recent acquisitions, division of Western Europe has become a significant operating segment of the Group consisting of 12 countries;
3) Russia, where AmRest manages the network of KFC and Pizza Hut restaurants. The segment includes also Pizza Hut restaurants located in Armenia and Azerbaijan;
4) China, where the networks of two proprietary brands are operated: Blue Frog and Kabb.

One additional segment which is "Other" does not include any network of owned or franchised restaurants and accounts for the results of SCM Sp. z o.o. along with its subsidiaries and other support costs and functions rendered for the Group or not allocated to applicable segments such as, for instance, Executive Team, Controlling, Treasury, Investor Relations, Mergers & Acquisitions, The detailed description of the segments is included in Note 4 of the Condensed Consolidated Financial Statements called "Segment Reporting".

The operations of AmRest are well-diversified across five main categories of restaurant industry:

1) Quick Service Restaurants ("QSR"), represented by KFC and Burger King,
2) Fast Casual Restaurants ("FCR"), represented by Pizza Hut Delivery and Express, Bacoa and Sushi Shop,
3) Casual Dining Restaurants ("CDR"), represented by Pizza Hut Dine-in, La Tagliatella, Blue Frog and KABB
4) Coffee category, represented by Starbucks.
5) Virtual brands, whose offer is available only online, represented by Pokaï, Lepieje, 'Oi Poke, Moya Misa Ramen, Pierwsze i Drugie and Viva Salad!

Within the current business model of the Group, AmRest operates its network of restaurants as a franchisee (for the brands of KFC, Pizza Hut, Starbucks and Burger King), as well as a brand owner and franchisor (for the brands of La Tagliatella, Blue Frog, Sushi Shop and Bacoa). In addition, within the concepts of Pizza Hut Delivery and Pizza Hut Express the Company acts as a master-franchisee, having the rights to sub-license these brands to third parties.

AmRest restaurants provide on-site catering services, take-away services, drive-in services at special sales points ("Drive Thru"), as well as deliveries of orders placed online or by telephone. Nowadays, food delivery is the fastest growing segment of AmRest operations.

Activity in aggregator area

On 31 August 2017 AmRest acquired from Delivery Hero GmbH 51% of shares in Restaurant Partner Polska ("RPP"), becoming its majority shareholder. RPP operates a platform of PizzaPortal.pl – an aggregator collecting offers from almost 4 000 different restaurants in ca. 400 cities in Poland and enabling online ordering and subsequent delivery of the meals to the customers. On 13 March 2019 AmRest acquired the remaining stake in RPP, becoming the sole owner of the company.

(all figures in EUR millions unless stated otherwise)

On 13 August 2019 the Group signed the agreement with Glovoapp23, S.L. for the transfer from AmRest to Glovo of 100% shares in Restaurant Partner Polska Sp. z o.o. On 28 October 2019 AmRest transferred 100% of shares in PizzaPortal to Glovo. On 24 January 2020 the Company announced satisfaction of all conditions envisaged by the Agreement and final settlement of the transaction. As a result of the abovementioned transaction AmRest holds 7.5% stake in Glovo's share capital (non-diluted).

Number of AmRest restaurants broken down by brands as at 30 June 2020

Brand	Restaurants*	Equity share	Franchise share	Share in total
Franchised	**1 802**	**87%**	**13%**	**78%**
KFC	870	100%	0%	38%
PH	471	54%	46%	20%
Starbucks*	388	95%	5%	17%
Burger King	73	100%	0%	3%
Proprietary	**516**	**54%**	**46%**	**22%**
La Tagliatella	243	34%	66%	10%
Sushi Shop	183	66%	34%	8%
Blue Frog	73	92%	8%	3%
Bacoa	8	25%	75%	<1%
Kabb	1	100%	0%	0%
Virtual Brands	8	100%	0%	<1%

* Starbucks franchise share refers to Starbucks licensed stores for which AmRest offers supply service but does not receive any royalty

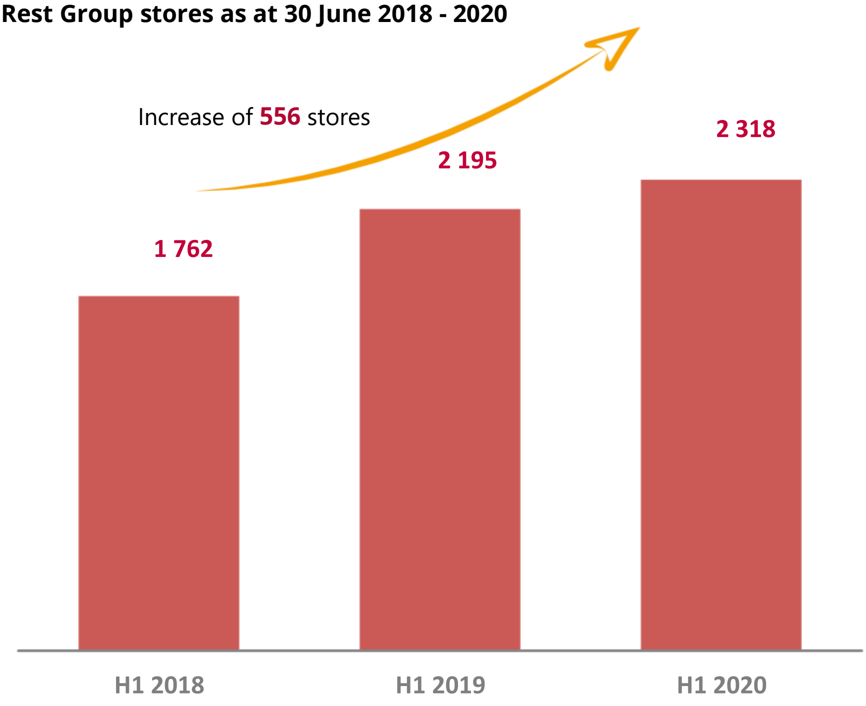
Number of AmRest restaurants broken down by countries as at 30 June 2020

Region	Restaurants*	Equity share	Franchise share	Share in total
Total	**2 318**	**80%**	**20%**	**100%**
CEE	**996**	**100%**	**0%**	**43%**
Poland	557	100%	0%	24%
Czech	191	100%	0%	8%
Hungary	130	100%	0%	6%
Romania	54	100%	0%	2%
Other CEE*	64	100%	0%	3%
WE	**981**	**55%**	**45%**	**42%**
Spain	329	48%	52%	14%
France	328	55%	45%	14%
Germany**	274	65%	35%	12%
Other WE*	50	50%	50%	2%
Russia*	**269**	**88%**	**12%**	**12%**
China	**72**	**94%**	**6%**	**3%**

* Other CEE includes Bulgaria (24), Serbia (15), Slovakia (14), Croatia (8), Austria (2), Slovenia (1); Other WE includes Belgium (11), UAE (11), Swiss (7), Portugal (6), UK (5), Italy (3), Luxembourg (3), Saudi Arabia (3), the Netherlands (1); Russia includes also Armenia (3) and Azerbaijan (2)

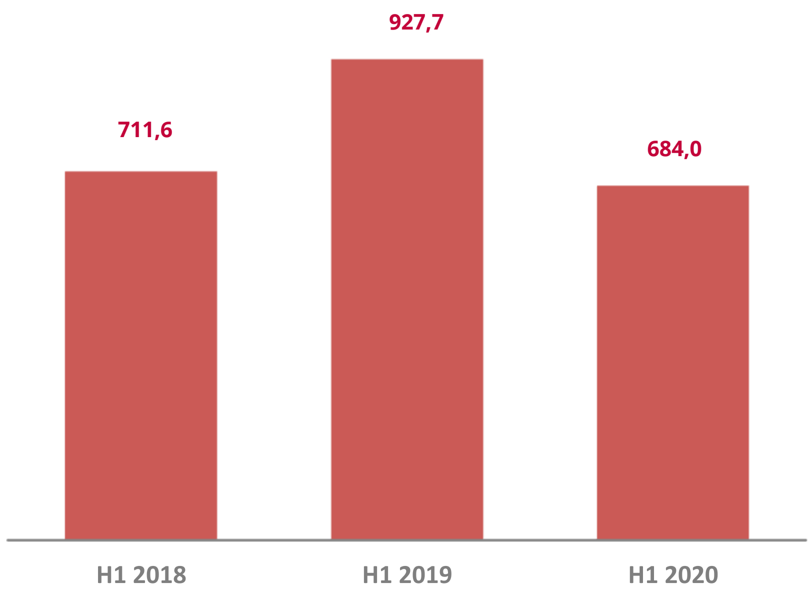
** Germany franchise share includes Starbucks licensed stores for which AmRest offers supply service but does not receive any royalty

Number of AmRest Group stores as at 30 June 2018 - 2020

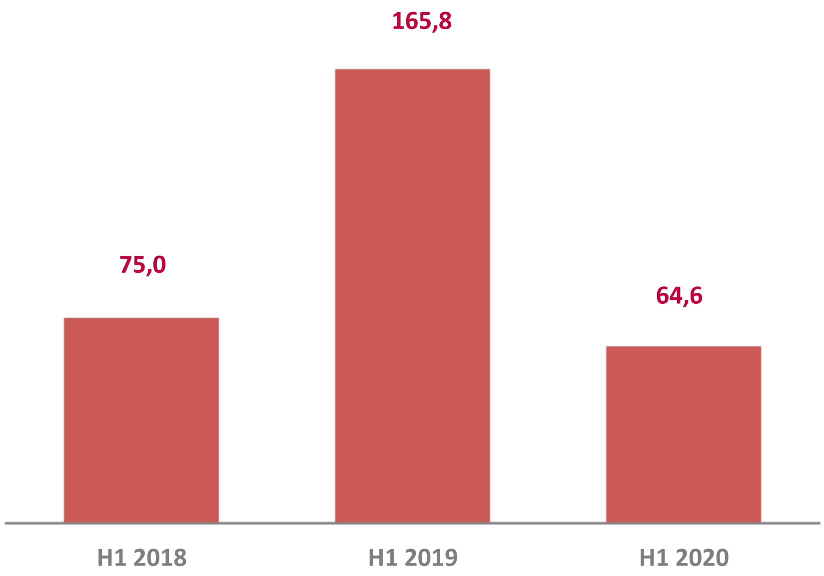


* Including restaurants operated by franchisees of La Tagliatella, Pizza Hut, Sushi Shop, Blue Frog and Bacoa brands

The AmRest Group revenue for 6 months ended 30 June 2018 - 2020



The AmRest Group EBITDA (IFRS16 for H1 2018) for 6 months ended 30 June 2018 - 2020



mEUR	Q1 2019 IFRS16	Q2 2019 IFRS16	Q3 2019 IFRS16	Q4 2019 IFRS16	Q1 2020 IFRS16	Q2 2020 IFRS16	TTM[4] IFRS16
Revenue	**444.9**	**482.8**	**504.8**	**529.0**	**411.9**	**272.1**	**1 717.8**
Revenue growth [1]	28.1%	32.5%	28.7%	19.4%	(7.4%)	(43.6%)	(2.6%)
EBITDA	**76.8**	**89.0**	**100.6**	**128.0**	**42.6**	**22.0**	**293.2**
EBITDA margin	17.3%	18.4%	19.9%	24.2%	10.3%	8.1%	17.1%
Adjusted EBITDA [2]	**78.4**	**91.5**	**102.9**	**96.4**	**43.6**	**22.2**	**265.1**
Adjusted EBITDA margin	17.6%	19.0%	20.4%	18.2%	10.6%	8.2%	15.4%
EBIT	**17.4**	**17.8**	**37.8**	**32.6**	**(23.6)**	**(116.5)**	**(69.7)**
EBIT margin	3.9%	3.7%	7.5%	6.2%	(5.7%)	(42.8%)	(4.1%)
Profit for the period [3]	**3.7**	**6.7**	**16.8**	**38.0**	**(41.6)**	**(119.1)**	**(105.9)**
Profit for the period margin	0.8%	1.4%	3.3%	7.2%	(10.1%)	(43.8%)	(6.2%)
Net debt	**579.4**	**595.8**	**598.0**	**616.4**	**629.8**	**611.6**	**611.6**
Leverage ratio	3.1	3.0	2.9	2.9	3.6	5.4	5.4

[1] The growth vs corresponding period in the previous year
[2] EBITDA adjusted for new openings expenses (Start-up costs), M&A expenses (all material expenses connected with successful acquisition covering professional services (legal, financial, other) directly connected with transaction, profit/loss on sale of shares or entities and effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).
[3] Attributable to AmRest shareholders
[4] Trailing 12 months

Financial performance of the Group

Revenue

Consolidated revenue of AmRest Group reached EUR 684.0 million in H1 2020 and were 26.3% lower compared to the previous year due to the widely applied lockdowns of restaurants, shopping malls and dine-in areas as well as other containment measures across many countries in order to limit the spread of COVID-19. China was the first market to be affected with first limitations implemented in January hence the biggest impact was already visible in the Q1 2020 results. However most of the European countries which constitute vast majority of AmRest operations introduced first restrictions in the middle of March therefore results in the weeks ahead were severely affected. Consequently, sales in Q2 2020 decreased by 43.6% year-on-year to EUR 272.1 million. In Q1 2020 total sales decreased by 7.4% over the year.

Along with gradual easing of restrictions in big part of Europe from mid of May, strong digital capabilities and well-prepared and executed approach around re-openings, including especially safety measures, sales have started to improve. On a month by month basis, from April to June, Group's sales were down 66.9%, 40.7% and 24.4% over the year, respectively. At the same time percentage of restaurants opened and operated as of end of a month but still with limited dine-in area for most of the quarter was 57%, 82% and 93%, respectively. Comparable restaurants sales index ("like-for-like" or "same-store-sales") reached 67.8% in Q2 2020 compared to 91.1% in Q1 2020 but was trending upward on a month by month basis from April to June at 48.8%, 68.7% and 78.8%, respectively. Sales generated by delivery and drive-thru channels in our equity business grew by ca. 61% over the year in Q2 2020.

The revenues in Central and Eastern Europe segment (CEE) in H1 2020 declined by 18.9% year-on-year and reached EUR 315.4 million. In Q2 2020 sales were 34.3% lower than last year and amounted EUR 133.6 million. Strength of delivery and drive thru channels due to more QSR oriented business as well as higher percentage of opened stores enabled the segment to perform relatively better. On a month by month basis, from April to June, segment sales were down 58.1%, 31.5% and 15.0% year-on-year, respectively. At the same time number of restaurants opened and operated as of end of a month but still with limited dine in for most of the quarter were 58%, 96% and 99%, respectively. In Q1 2020 segment sales dropped by 2.1%.

Western Europe reported the biggest hit in sales due to the implemented limitations across the countries in response to the pandemic as well as higher share of dine-in business. In H1 2020 revenue was lower by 33.4% compared to the same period last year and amounted EUR 257.3 million. In Q2 2020 sales decreased by 52.8% to EUR 92.4 million. April was the worst month in the period as a result of massive lockdowns and temporary closed restaurants. Since then sales have started to pick up with France leading the way followed by Germany and Spain. On a month by month basis segment revenues were down 79.1% in April, 49.3% in May and 29.6% in June year-on-year. At the same time percentage of restaurants opened and operated as of end of a month and still with limited dine in for most of the quarter were 50%, 71% and 91%, respectively. In Q1 2020 segment sales declined by 13.5%.

Russian division generated revenues of EUR 95.9 million in H1 2020 which represented a 25.5% decrease over the year. In Q2 2020 sales were down 57.1% vs. last year and reached EUR 22.3 million. Restrictions related to the COVID-19 pandemic started end of March in Russia and lasted for the whole quarter with the first stage of easing just in June. On a month by month basis, from April to June, segment sales were down 65.9%, 59.5% and 47.0% year-on-year, respectively. At the same time percentage of restaurants opened and operated yet still with limited dine in for most of the quarter were 64%, 66% and 77%, respectively. In Q1 2020 segment sales grew by 11.8%.

China posted a decrease in revenue in H1 2020 of 33.9% over the year and reached EUR 29.1 million in sales. However the segment has started its path of recovery in sales in the second quarter as revenue in Q2 2020 decreased by 21.0% vs. last year to EUR 19.2 million compared to a decrease of 49.8% in Q1 2020. In the middle of June, segment results were impacted by a short period of lockdown due to the increase in the COVID-19 cases. On a month by month basis segment revenues were down 36.8% in April, 9.0% in May and 18.5% in June year-on-year. At the same time share of restaurants opened and operated yet with still limited dine in for most of the quarter were 97%, 99% and 100%, respectively.

Other segment posted a 12.8% decline in sales in H1 2020 to EUR 10.7 million and 38.9% drop in Q2 2020 to EUR 4.6 million mainly due the lower activity in supply chain management in the second quarter as a result of the restrictions for the foodservice sector.

Profitability

In H1 2020 the main impact on Group's profitability had negative effect from operational leverage caused by lower sales levels. A strong start of the year in Europe was erased by significant limitations of restaurants operations and sales across countries that started generally in the second half of March with additional negative impact from China mainly in the first quarter. As a result, consolidated EBITDA reached EUR 64.6 million or 9.5% margin in the H1 2020, a decline of 61.0% compared to EUR 165.8 million last year with margin at 17.9%. In Q2 2020 EBITDA amounted EUR 22.0 million with margin at 8.1% vs. EUR 89.0 million or 18.4% margin last year (a decline of 75.2%). In Q1 2020 EBITDA reached EUR 42.6 million and margin was at 10.3%.

When it comes to the profit from operations (EBIT), the result was additionally negatively impacted by accounting loss of EUR 73.1 million in Q2 2020, mainly associated with the impairment of Starbucks Germany business and right-of-use assets. As a result EBIT reached EUR (140.1) million in H1 2020 and EUR (116.5) million in Q2 2020 compared to EUR 35.2 million and EUR 17.8 million last year, respectively.

Consequently, net profit attributable to AmRest shareholders amounted EUR (160.7) million in H1 2020 and EUR (119.1) million in Q2 2020 compared to EUR 10.4 million in H1 2019 and EUR 6.7 million in Q2 2019.

In H1 2020, the Group recognized payroll and social contribution benefits from the governmental support programs of EUR 19.5 million which has been recognized as other operating income. The government grants are in the form of waived social security payables (EUR 2.6 million) and cash grants (EUR 16.9 million, of which EUR 6.6 million as at 30 June 2020 was not received yet). Additionally, due to still ongoing procedure around acceptance of the new IFRS 16 Leases amendment by IASB related to relief from rents as a direct consequence of the COVID-19 pandemic, Group's results for H1 2020 do not include EUR 10.7 million of lowered lease costs and EUR 2.3 million higher tax income that would have been included if the amendments had been approved by the date of publication of the report.

Net debt stood at EUR 611.6 million which resulted in leverage ratio at 5.37x at the end of H1 2020. Syndicated bank loan covenants are calculated quarterly. As at 30 June 2020 one of bank covenants was not met and the Group was required to report its syndicated bank loan balance as current liabilities. On 1 September 2020 the Group has received the waiver letter from the banks. The requirement of the bank covenant has been waived for the quarter ending 30 June 2020.

Central and Eastern Europe posted a 36.8% decline year-on-year in EBITDA in H1 2020 to EUR 52.9 million or 16.8% margin compared to 21.5% last year. In Q2 2020 EBITDA reached EUR 24.2 million and was 47.2% below last year's level with margin at 18.1% compared to 22.5% in Q2 2019. Faster reopening of the economies along with strong operational, focus around more delivery and takeaway oriented QSR business and supportive public aid programs helped the segment to perform relatively well. Additionally a lot of efforts has been put around product promotion, general cost control and menu innovation, and simplification which have contributed positively. On the other hand partially replaced dine-in channel by delivery has put some temporary pressure on margins. In Q1 2020 EBITDA reached EUR 28.7 million or 15.8% margin.

EBITDA of Russian division amounted to EUR 9.6 million in H1 2020 with margin at 13.5% compared to EUR 19.5 million and 20.3% margin last year. In Q2 2020 EBITDA reached EUR 2.1 million or 9.5% margin while last year's result was EUR 11.3 million or 21.7% margin. Sustained lockdown restrictions for longer time resulted in lower level of re-openings and consequently sales recovery in the period. That along with much higher delivery share impacted negatively on margins. On the other hand rollout of the improved food inventory management system has contributed in plus for profits. In Q1 2020 segment EBITDA reached EUR 7.5 million with margin at 15.3%.

Western Europe segment EBITDA amounted EUR 6.1 million in H1 2020 or 2.4% compared to EUR 59.7 million or 15.5% margin last year. In Q2 2020 EBITDA stood at (5.0) million with margin at (5.4%) while last year it amounted EUR 30.6 million or 15.6% margin. The segment results have been particularly hit by the pandemic due to its severity in many countries, strict lockdown measures and lack of most of the business activity in April in Spain or France as well as higher share of dine-in business. Gradual re-openings and recovery of sales in May and June along with cost optimization initiatives, public aid programs and strong operations has helped to improve margins on a month by month basis. In Q1 2020 EBITDA reached EUR 11.1 million or 6.7% margin.

China business reported EBITDA at EUR 5.5 million or 19.0% margin in H1 2020 compared to EUR 12.3 million and 27.8% margin last year. The second quarter showed promising signs of recovery as EBITDA margin reached 30.0% vs. 30.9% last year with EBITDA at EUR 5.8 million compared to EUR 7.5 million in Q2 2019. Return of the restaurants activity as well as strong cost control and capabilities of the team helped to quickly adapt and perform relatively well despite more dine-in oriented business model. In Q1 2020 segment EBITDA amounted EUR (0.2) or (2.4%) margin.

Segment 'Other' which constitutes our supply chain management business and some general and administration costs, including Executive Team managed to generate some savings as EBITDA improved in Q2 2020 to EUR (5.0) million from EUR (6.1) million last year and that is despite lower activity of the SCM business.

(all figures in EUR millions unless stated otherwise)

Table 1 Split of revenues and margins by divisions for H1 2020 and 2019

	6 months ended 30 June 2020		6 months ended 30 June 2019	
	Amount	% of sales	Amount	% of sales
Revenue	**684.0**		**927.7**	
Poland	174.7	25.5%	217.5	23.4%
Czechia	74.7	10.9%	92.1	9.9%
Hungary	42.8	6.3%	51.5	5.6%
Other CEE	23.2	3.4%	28.0	3.0%
Total CEE	**315.4**	**46.1%**	**389.1**	**41.9%**
Russia	**71.4**	**10.4%**	**95.9**	**10.3%**
Spain	77.4	11.3%	133.0	14.3%
Germany	55.0	8.0%	84.7	9.1%
France	110.3	16.1%	148.4	16.0%
Other Western Europe	14.6	2.1%	20.3	2.2%
Western Europe	**257.3**	**37.6%**	**386.4**	**41.7%**
China	**29.1**	**4.3%**	**44.0**	**4.7%**
Other	**10.8**	**1.6%**	**12.3**	**1.3%**
	Amount	% of sales	Amount	% of sales
EBITDA	**64.6**	**9.5%**	**165.8**	**17.9%**
Poland	28.1	16.1%	41.9	19.3%
Czechia	14.6	19.6%	24.1	26.2%
Hungary	7.7	18.1%	11.9	23.0%
Other CEE	2.5	10.4%	5.8	20.9%
Total CEE	**52.9**	**16.8%**	**83.7**	**21.5%**
Russia	**9.6**	**13.5%**	**19.5**	**20.3%**
Spain	8.9	11.5%	33.6	25.3%
Germany	(3.6)	(6.6%)	8.6	10.2%
France	(2.9)	(2.6%)	14.2	9.6%
Other Western Europe	3.7	25.4%	3.3	16.1%
Western Europe	**6.1**	**2.4%**	**59.7**	**15.5%**
China	**5.5**	**19.0%**	**12.3**	**27.8%**
Other	**(9.5)**	**-**	**(9.4)**	**-**
Adjusted EBITDA*	**65.8**	**9.6%**	**169.9**	**18.3%**
Poland	28.6	16.4%	42.6	19.6%
Czechia	14.7	19.7%	24.5	26.6%
Hungary	7.9	18.4%	12.3	23.9%
Other CEE	2.7	11.8%	6.3	22.5%
Total CEE	**53.9**	**17.1%**	**85.7**	**22.0%**
Russia	**9.7**	**13.6%**	**19.8**	**20.6%**
Spain	8.9	11.5%	34.3	25.8%
Germany	(3.5)	(6.3%)	9.1	10.8%
France	(2.9)	(2.6%)	14.4	9.7%
Other Western Europe	3.9	26.3%	3.3	16.1%
Western Europe	**6.4**	**2.5%**	**61.1**	**15.8%**
China	**5.6**	**19.2%**	**12.5**	**28.5%**
Other	**(9.8)**	**-**	**(9.2)**	**-**
EBIT	**(140.1)**	**(20.5%)**	**35.2**	**3.8%**
Poland	(11.0)	(6.3%)	11.7	5.4%
Czechia	0.8	1.1%	13.2	14.3%
Hungary	(0.7)	(1.7%)	5.3	10.2%
Other CEE	(7.2)	(30.9%)	(0.3)	(0.8%)
Total CEE	**(18.1)**	**(5.7%)**	**29.9**	**7.7%**
Russia	**(9.8)**	**(13.7%)**	**3.5**	**3.7%**
Spain	(17.1)	(22.1%)	16.6	12.5%
Germany	(53.4)	(97.1%)	(9.5)	(11.2%)
France	(28.7)	(26.0%)	(0.2)	(0.1%)
Other Western Europe	1.4	9.3%	2.6	12.4%
Western Europe	**(97.8)**	**(38.0%)**	**9.5**	**2.5%**

(all figures in EUR millions unless stated otherwise)

	6 months ended 30 June 2020		6 months ended 30 June 2019	
	Amount	% of sales	Amount	% of sales
China	**(4.5)**	**(15.3%)**	**2.3**	**5.1%**
Other	**(9.9)**	**-**	**(10.0)**	**-**

**Adjusted EBITDA – EBITDA adjusted for new openings expenses (Start-up costs), M&A expenses (all material expenses connected with successful acquisition covering professional services (legal, financial, other) directly connected with transaction), effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).*

Table 2 Split of revenues and margins by divisions for Q2 2020 and 2019

	3 months ended 30 June 2020		3 months ended 30 June 2019	
	Amount	% of sales	Amount	% of sales
Revenue	**272.1**	**100.0%**	**482.8**	
Poland	73.9	27.2%	112.9	23.4%
Czechia	32.7	12.0%	48.3	10.0%
Hungary	18.0	6.6%	27.0	5.6%
Other CEE	9.0	3.3%	15.1	3.1%
Total CEE	**133.6**	**49.1%**	**203.3**	**42.1%**
Russia	**22.3**	**8.2%**	**52.0**	**10.8%**
Spain	20.1	7.4%	68.0	14.1%
Germany	20.4	7.5%	44.2	9.1%
France	45.8	16.8%	73.4	15.2%
Other Western Europe	6.1	2.3%	10.1	2.1%
Western Europe	**92.4**	**34.0%**	**195.7**	**40.5%**
China	**19.2**	**7.1%**	**24.3**	**5.0%**
Other	**4.6**	**1.7%**	**7.5**	**1.5%**
	Amount	% of sales	Amount	% of sales
EBITDA	**22.0**	**8.1%**	**89.0**	**18.4%**
Poland	14.2	19.2%	22.9	20.3%
Czechia	6.3	19.3%	12.7	26.3%
Hungary	3.2	17.9%	6.5	24.1%
Other CEE	0.5	5.1%	3.6	23.4%
Total CEE	**24.2**	**18.1%**	**45.7**	**22.5%**
Russia	**2.1**	**9.5%**	**11.3**	**21.7%**
Spain	(0.6)	(3.3%)	17.1	25.1%
Germany	(2.7)	(13.4%)	5.0	11.3%
France	(4.3)	(9.3%)	6.5	8.9%
Other Western Europe	2.6	43.1%	2.0	20.0%
Western Europe	**(5.0)**	**(5.4%)**	**30.6**	**15.6%**
China	**5.7**	**30.0%**	**7.5**	**30.9%**
Other	**(5.0)**	**-**	**(6.1)**	**-**
Adjusted EBITDA*	**22.2**	**8.2%**	**91.5**	**19.0%**
Poland	14.3	19.3%	23.2	20.6%
Czechia	6.3	19.4%	13.0	26.9%
Hungary	3.3	18.0%	6.7	24.8%
Other CEE	0.5	6.5%	3.8	25.4%
Total CEE	**24.4**	**18.3%**	**46.7**	**23.0%**
Russia	**2.1**	**9.5%**	**11.5**	**22.1%**
Spain	(0.7)	(3.3%)	17.6	25.9%
Germany	(2.7)	(13.0%)	5.2	11.8%
France	(4.2)	(9.2%)	6.6	9.0%
Other Western Europe	2.8	44.5%	2.1	20.1%
Western Europe	**(4.8)**	**(5.2%)**	**31.5**	**16.1%**
China	**5.8**	**30.0%**	**7.7**	**31.8%**
Other	**(5.3)**	**-**	**(5.9)**	**-**
EBIT	**(116.5)**	**(42.8%)**	**17.8**	**3.7%**
Poland	(10.3)	(13.9%)	6.5	5.8%

(all figures in EUR millions unless stated otherwise)

	3 months ended 30 June 2020		3 months ended 30 June 2019	
	Amount	% of sales	Amount	% of sales
Czechia	(1.2)	(3.7%)	7.0	14.6%
Hungary	(1.4)	(8.1%)	3.2	11.7%
Other CEE	(5.8)	(63.5%)	0.2	1.0%
Total CEE	**(18.7)**	**(14.0%)**	**16.9**	**8.3%**
Russia	**(9.3)**	**(41.4%)**	**2.5**	**4.8%**
Spain	(18.0)	(89.6%)	8.5	12.5%
Germany	(45.4)	(223.1%)	(6.1)	(13.8%)
France	(21.7)	(47.5%)	(1.9)	(2.6%)
Other Western Europe	1.3	21.3%	2.0	19.9%
Western Europe	**(83.8)**	**(90.7%)**	**2.5**	**1.3%**
China	**0.5**	**2.5%**	**2.3**	**9.6%**
Other	**(5.2)**	**-**	**(6.4)**	**-**

**Adjusted EBITDA – EBITDA adjusted for new openings expenses (Start-up costs), M&A expenses (all material expenses connected with successful acquisition covering professional services (legal, financial, other) directly connected with transaction), effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).*

Table 3 Reconciliation of the net profit and adjusted EBITDA for 6 months ended 30 June 2020 and 2019

	6 months ended 30 June 2020		6 months ended 30 June 2019		Year-over-year
	Amount	% of sales	Amount	% of sales	% of change
Profit/(loss) for the period	**(162.3)**	**(23.7%)**	**11.0**	**1.2%**	**-**
+ Finance costs	33.2	4.9%	22.1	2.4%	50.2%
– Finance income	0.8	0.1%	2.2	0.2%	(63.6%)
+ Income tax expense	(10.2)	(1.5%)	4.3	0.5%	-
+ Depreciation and Amortisation	129.4	18.9%	121.7	13.1%	6.3%
+ Impairment losses	75.3	11.0%	8.9	1.0%	746.1%
EBITDA	**64.6**	**9.4%**	**165.8**	**17.9%**	**(61.0%)**
+ Start-up expenses*	1.5	0.2%	3.9	0.4%	(61.5%)
+ M&A related expenses	0.0	0.0%	0.1	0.0%	(100.0%)
+/- Effect of SOP exercise method modification	(0.3)	(0.0%)	0.1	0.0%	-
Adjusted EBITDA	**65.8**	**9.6%**	**169.9**	**18.3%**	**(61.3%)**

** Start-up expenses – all material operating expenses incurred in connection with new restaurants opening and prior to the opening.*

Table 4 Reconciliation of the net profit and adjusted EBITDA for 3 months ended 30 June 2020 and 2019

	3 months ended 30 June 2020		3 months ended 30 June 2019		Year-over-year
	Amount	% of sales	Amount	% of sales	% of change
Profit/(loss) for the period	**(120.0)**	**(44.1%)**	**7.2**	**1.5%**	**-**
+ Finance costs	8.6	3.2%	11.4	2.4%	(24.6%)
– Finance income	0.6	0.2%	1.8	0.4%	(66.7%)
+ Income tax expense	(4.5)	(1.7%)	1.0	0.2%	-
+ Depreciation and Amortisation	64.9	23.9%	62.9	13.0%	3.2%
+ Impairment losses	73.6	27.0%	8.3	1.7%	786.7%
EBITDA	**22.0**	**8.1%**	**89.0**	**18.4%**	**(75.3%)**
+ Start-up expenses*	0.5	0.2%	2.3	0.5%	(78.3%)
+ M&A related expenses	0.0	0.0%	0.1	0.0%	(100.0%)
+/- Effect of SOP exercise method modification	(0.3)	(0.1%)	0.1	0.0%	-
Adjusted EBITDA	**22.2**	**8.2%**	**91.5**	**19.0%**	**(75.7%)**

(all figures in EUR millions unless stated otherwise)

** Start-up expenses – all material operating expenses incurred in connection with new restaurants opening and prior to the opening.*

Liquidity analysis

With the spread of the pandemic many governments were applying lockdown procedures and various limitations for businesses to operate. It has had an impact on AmRest business scale and profitability which resulted in a deterioration of the results and as a consequence breach of one of the covenant ratio of net debt to EBITDA from Q1 2020 (covenant < 3.50x vs. 5.37x in Q2 2020 and 3.62x in Q1 2020). The Group received waiver in May for the first quarter 2020 and in September for the second quarter 2020 and consequently the bank debt liability was classified as non-current since the date of the waivers. However, as at 30 June 2020 the long-term debt obligations were accounted as short-term.

AmRest actively manages liquidity risk understood as a possible loss or restriction of its ability to cover current expenses. The Group had at the end of 2019 around EUR 106.2 million in cash balance and was able to increase that significantly to EUR 217.7 million as of end of June 2020, despite the pandemic and lowered business activity. Strengthening of the Group's position in terms of liquidity and mitigation of adverse impacts of COVID-19 outbreak have been taken on several areas. The Group maintains close communication with its financing banks. In March 2020 Group has drawn entire facility available under revolving Tranche D of syndicated bank loan, increasing amount drawn from EUR 37.3 million in the end of 2019 to 98.9 million in the end of 1Q 2020. Additionally in April 2020 Spanish and French subsidiaries of AmRest Holdings, SE applied for state supported bank loans, guaranteed by the governments in 70% and 90%, respectively. The Group was granted total EUR 75 million.

AmRest has also established internal task forces in every market to monitor the situation around the employees, guests and financial standing and to implement cost saving initiatives and also a big part of capital expenditures have been put under review. The Group has been closely monitoring available program that are offered on various markets. The government support programs include for example direct subsidies to payroll costs, tax exemptions, social security contributions reductions. Additionally entities from the Group were able to apply for extended deadlines for payments of various taxes.

	30 June 2020	31 December 2019	30 June 2019
Current assets	336.1	264.8	234.2
Inventories	27.0	29.9	26.9
Current liabilities	1 106.9	498.9	396.8
Current ratio*	0.30	0.53	0.59
Cash and cash equivalents	217.7	106.2	101.3
Cash ratio*	0.20	0.21	0.26
Inventory turnover (in days)*	5.95	5.03	5.05
Trade and other receivables	66.9	104.6	80.4
Trade receivables turnover (in days)*	16.38	15.27	12.87
Operating ratio (cycle) (in days)*	22.33	20.30	17.92
Trade and other accounts payable	281.0	279.5	250.2
Trade payables turnover (in days)*	54.46	45.87	47.31
Cash conversion ratio (in days)*	(32.13)	(25.57)	(29.39)

** Please see Definitions below*

Definitions:

- *Current ratio – current assets to current liabilities. Given that most of the Group's current assets are comprised of cash, inventories and trade receivables which are liquid, the measure shows how much short-term liabilities can be relatively quickly covered or secured.*
- *Cash ratio – cash and cash equivalents to current liabilities. Provides the measure of the quickest way to cover or secure due liabilities.*
- *Inventory turnover ratio – average inventories to revenue multiplied by the number of days in a year. The measure shows how efficient, on average, inventories are traded and therefore cash can be generated.*
- *Trade receivables turnover ratio – average trade and other receivables to revenue multiplied by the number of days in a year. The measure helps to assess how fast on average, sales can be collected by the company which means cash inflow.*
- *Operating ratio (cycle) – total of inventories turnover and receivables turnover. It is a combined measure for assessing working capital turnover for the company and therefore number of days needed receive payments.*

(all figures in EUR millions unless stated otherwise)

- *Trade payables turnover ratio – average trade and other accounts payable to revenue multiplied by the number of days in a year. It shows the level of trade credit the company is granted by the suppliers or other businesses and therefore when, on average, pays its trade liabilities.*
- *Cash conversion ratio – difference between the operating ratio and the trade payables turnover ratio. It measures the effectiveness of net working capital management in the company and shows whether it needs investment or is self-financed and can generate cash.*

Leverage analysis

	30 June 2020	31 December 2019	30 June 2019
Non-current assets	1 984.4	2 170.2	2 013.1
Liabilities	2 023.0	1 958.3	1 813.0
Non-current liabilities	916.1	1 459.4	1 416.2
Debt and lease	1 658.3	1 584.2	1 484.7
Share of inventories in current assets (%)	8.0%	11.3%	11.5%
Share of trade and other receivables in current assets (%)	19.9%	39.5%	34.3%
Share of cash and cash equivalents in current assets (%)	64.8%	40.1%	43.3%
Equity to non-current assets ratio*	15.0%	22.0%	21.6%
Gearing ratio*	0.15	0.23	0.23
Long-term liabilities to equity ratio*	3.08	3.06	3.26
Liabilities to equity ratio*	6.80	4.11	4.17
Debt and lease/equity*	5.57	3.32	3.42

** Please see Definitions below*

Definitions:

- *Equity to non-current assets ratio – equity to non-current assets. The measure helps to track the level of financing of fixed assets by internal sources.*
- *Gearing – equity to debt, lease and equity. It helps to track the structure of internal financing to total financing.*
- *Long-term liabilities to equity – non-current liabilities to equity. The measure helps to track the indebtedness of internal financing by long-term external resources.*
- *Liabilities to equity – liabilities and provisions to equity. The measure helps to track the indebtedness of internal financing by total external resources.*
  Debt and lease /equity – total non-current and current interest bearing loans and borrowings, and lease to equity. It helps to track the financial leverage of the company, including leases.

Alternative Performance Measures (APM) additional description

APM are metrics used by the company with the intention to describe operational or financial performance, taking into account some key information or constituent and adjusting them based on the purpose of such measure. AmRest identifies the following Alternative Performance Measures in Director's Report:

1. Like-for-like or Same Store Sales ("LFL" or "SSS") – represents revenue growth from comparable restaurants (restaurants that have been operating for a period of longer than 12 months). The measure shows the ability of a restaurant or a brand to increase its sales organically. Usually it can be closest reconciled between last twelve months revenue growth minus last twelve months net equity openings growth. Given the environment in H1 2020 where number of restaurants operated varied significantly due to governmental decisions it is difficult to provide closest reconciliation of the measure.
2. EBITDA – one of Key Performance Indicators for the company. It is a close measure of profitability on operations and consist of profit from operations excluding amortization and depreciation costs as well as impairments. Reconciliation of the measure is provided in table 3 or 4.
3. Adjusted EBITDA – measures profitability performance without startup costs (operating costs incurred by the company to open a restaurant but before a restaurant starts generating revenue), indirect tax adjustments, M&A related expenses (all material expenses connected with successful acquisition covering professional services, legal, financial, other directly connected with a transaction) and effect of Stock Option Plan (SOP) exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan). It allows to present profitability for restaurants that already generate revenue and without some unusual costs related to M&A, tax adjustments or accounting adjustments related to SOP. Reconciliation of this APM is provided in table 3 or 4.

4. Net debt – measures the level of external financing provided for the business as a sum of balance sheet positions of loans and borrowings, including financial lease liabilities pre-IFRS 16, net of available cash and cash equivalents, and guarantees.
5. Leverage ratio - measures the level of EBITDA calculated according to the financing agreements with the banks to net debt. It is a generally accepted level that shows indebtedness of a company relative to its ability to generate cash and profits from operations.

Debt ratios

The liquidity ratios of the Group were impacted by the pandemic and lockdown restrictions that significantly influenced on the activity of restaurant sector. It resulted in a breach of debt covenant staring from Q1 2020 for which period the Group received the waiver from financing banks. As a consequence, long-term debt liabilities from the syndicated bank financing have been reclassified to short-term. Nevertheless, AmRest Holdings keeps fulfilling its financial obligations and constantly monitor the resources and take necessary actions to ensure smooth operating activities. The Group has put under review most of the capital expenditures and non-critical projects as well as received payments from public aid programs and has kept generating cash from operations. As a result net cash inflow was positive and the Group.

The Group's equity decreased by EUR 179.2 million compared to the balance at the end of 2019 and amounted to EUR 297.5 million at the end of H1 2020. The change in equity resulted mainly from the net profit of EUR (148.5) million and F/X translation.

Net debt at the end of H1 2020, excluding the impact from the IFRS 16, equaled EUR 611.6 million which resulted in a comparable leverage ratio at 5.37.

Brands operated by the Group

As at the date of publication of the Report, the portfolio of AmRest consisted of fifteen restaurant brands: KFC, Pizza Hut, Starbucks, Burger King, La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop, Pokaï, Lepieje, 'Oi Poke, Moya Misa Ramen and Pierwsze i Drugie and Viva Salad!.

AmRest is a franchisee of Yum! Brands Inc. for the KFC and Pizza Hut brands. Starting from 1 October 2016 the Group as a master-franchisee has the right to grant a license to third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise) in countries of Central and Eastern Europe, while ensuring a certain share of restaurants operated directly by AmRest. Pizza Hut restaurants acquired in France in May 2017, in Germany in July 2017 and in Russia in June 2018 are operated both by AmRest and its sub-franchisees.

Burger King restaurants are operated on a franchise basis following an agreement concluded with Burger King Europe GmbH.

Starbucks restaurants in Poland, the Czech Republic and Hungary are opened by the companies AmRest Coffee (owned in 82% by AmRest and in 18% by Starbucks). These companies have the rights and licenses to develop and manage Starbucks restaurants in respective countries. Starbucks restaurants in Romania, Bulgaria, Germany, Serbia and Slovakia are operated by the Group on a franchise basis.

La Tagliatella is the proprietary brand of AmRest and became a part of its portfolio in April 2011. La Tagliatella restaurants are operated directly by AmRest as well as by third party entities which operate restaurants on a franchise basis.

Blue Frog and KABB brands became the property of AmRest in December 2012 as a result of acquisition of majority stake in Blue Horizon Hospitality Group LTD.

Bacoa brand was acquired by AmRest on 31 July 2018, The chain represents premium burger restaurants operated in Spain through equity and franchise model.

Sushi Shop, a leading European sushi concept, is a proprietary brand of AmRest and became a part of its portfolio through the acquisition of Sushi Shop Group SAS finalized on 31 October 2018. Sushi Shop restaurants are operated by both AmRest (equity stores) and AmRest's franchisees. Sushi Shop network is present in 12 countries and reported within the Western Europe segment.

Pokaï is a virtual brand added to the Company's portfolio together with Sushi Shop business on 31 October 2018.

Lepieje and 'oi poke are virtual brands invented and launched in Poland by AmRest in 2019. Moya Misa Ramen and Pierwsze i Drugie virtual brands were introduced to the Polish market by the Company in 2020. Viva Salad! brand was launched in 2020 in Spain.

Quick Service Restaurants (QSR)

Established in 1952, the KFC brand is the biggest, fastest growing and most popular chain of quick service restaurants serving chicken meals. There are currently more than 22 000 KFC restaurants in over 135 countries worldwide.

As at 30 June 2020 the Group operated 870 KFC restaurants: 282 in Poland, 105 in the Czech Republic, 70 in Hungary, 204 in Russia, 81 in Spain, 27 in Germany, 70 in France, 12 in Serbia, 8 in Bulgaria, 8 in Croatia, 2 in Austria and 1 in Slovenia.

The beginnings of Burger King date back to 1954. Today, Burger King ("Home of the Whopper") operates about 17 800 restaurants, serving about 11 million customers in over 100 countries every day. Almost 100% of Burger King restaurants are run by independent franchisees and many of them have been managed for decades as family businesses. Burger King brand is owned by 3G Capital.

As at 30 June 2020 AmRest ran the total of 73 Burger King restaurants – 44 in Poland, 20 in the Czech Republic, 4 in Slovakia, 3 in Romania and 2 in Bulgaria.

Casual Dining and Fast Casual Restaurants (CDR, FCR)

La Tagliatella arose from the experience of more than two decades of specialization in the traditional cuisine of the regions of El Piemonte, La Liguria and La Reggio Emilia. Over the past year the brand has entertained more than 9 million customers, who delighted in the most authentic flavours of Italian cuisine.

As at 30 June 2020 AmRest's portfolio included 243 La Tagliatella restaurants — 232 in Spain, 6 in France, 2 in Germany and 3 in Portugal.

Pizza Hut is one of the largest casual dining restaurant chains in Europe. Inspired by the Mediterranean cuisine, it promotes the idea of having a good time while enjoying a meal together with family and friends. It is also the biggest brand in the Polish casual dining segment in terms of sales and the number of transactions. Pizza Hut's strong position results from consistently implemented "Pizza and much more!" strategy which assumes extending the brand's offer by adding new categories such as pastas, salads, desserts and starters while retaining the position of a leader and "pizza expert".

In addition to the well-established Casual Dining format, AmRest focuses now on creating new concepts within the Pizza Hut family. Meeting guests' expectations the Fast Casual Pizza Hut Express and Delivery restaurants have been created. Pizza Hut's exceptional taste is now being leveraged with speed, convenience and ease, creating an unique customer experience.

As at 30 June 2020 AmRest's portfolio included 471 Pizza Hut restaurants – 153 in Poland, 60 in Russia, 26 in Hungary, 17 in Czech Republic, 122 in France, 85 in Germany, 3 in Armenia, 2 in Azerbaijan and 3 in Slovakia.

Inclusion of the Blue Horizon Hospitality Group to AmRest structure in 2012 enriched the CDR segment brand portfolio with two new positions operating in the Chinese market.

• Blue Frog Bar & Grill — restaurants serving grilled dishes from the American cuisine in a nice atmosphere.

• KABB Bistro Bar — premium segment restaurant, serving "western cuisine" dishes and a wide selection of wines and drinks.

As at 30 June 2020 AmRest's portfolio included 73 Blue Frog (71 in China, 2 in Spain) and 1 KABB restaurant.

Bacoa is a popular premium burger concept in Spain. Since 2010, it has been bringing high quality, freshly cooked burgers and chips to their loyal fans. Bacoa is passionate about using premium ingredients and preparing everything by hand, proving every day that fast food can also be good food with the right approach.

As 30 June 2020, AmRest's portfolio included 8 Bacoa restaurants in Spain.

Founded in 1998 by Grégory Marciano and Adrien de Schompré, Sushi Shop is the leading European chain of restaurants for sushi, sashimi and other Japanese specialties. It is positioned as a premium brand offering food prepared fresh with highest quality ingredients.

Sushi Shop has successfully established an international network of company-operated and franchises stores across 12 countries.

As at 30 June 2020, AmRest's portfolio included 183 Sushi Shop restaurants (130 in France, 6 in Spain, 3 in Portugal, 11 in Belgium, 3 in Italy, 3 in Luxemburg, 5 in UK, 7 in Switzerland, 1 in Netherlands, 3 in Saudi Arabia and 11 in UAE).

Coffee category

Starbucks is the world leader in the coffee sector with about 30 000 stores in 80 countries. It offers a broad selection of coffees from different parts of the world, as well as teas, soft drinks and a wide range of fresh snacks and desserts. The store designs and their atmosphere refer to the coffee heritage and reflect the culture of the neighborhood.

As at 30 June 2020 AmRest Coffee operated 388 stores (70 in Poland, 49 in the Czech Republic, 34 in Hungary, 51 in Romania, 14 in Bulgaria, 160 in Germany, 7 in Slovakia and 3 in Serbia).

Virtual Brands

Pokaï is a virtual brand created by the group Sushi Shop in April 2018, which offers a large range of fresh, healthy and gourmet poke bowls. Its products are sold through aggregators (Deliveroo, UberEATS, etc). Pokaï is present in most of the countries where Sushi Shop restaurants operate: France, Belgium, Italy, Spain, Switzerland, UK, Germany and UEA.

Lepieje is one of the virtual brands created within the AmRest's Shadow Kitchen project, which responds to the latest trends of the global restaurant market. The brand operates since December 2019 in Wrocław, Poland and it is available on Glovo and Wolt. The brand is inspired by the dumplings from the different parts of the world.

’Oi Poke is a virtual brand which is offering exotic bowls based on meat, fish or shrimps with original and freshly prepared vegetables. The cuisine comes from Hawaii, where everything "perfect" is called "'Oi" and that's why the brand is called 'Oi Poke. The brand also contributes to the Shadow Kitchen project of AmRest. You may order our Oi bowls on Glovo and Wolt. The Brand operates in Poland since December 2019.

For many years ramen has been appealing to consumers' hearts, due to its original ingredients surprising consumers with its satiety and the way they are served in characteristic bowls. In Japan everyone has their own style of preparing Ramen. The secret to a delicious ramen is its consequent uniqueness. The Virtual Brand MOYA MISA RAMEN is tasty and fun! In the preparation process, we play with different flavors, ingredients and the way of consumption. The brand delights our Polish consumers in the delivery segment which runs on aggregators.

The "Pierwsze i Drugie" brand is based on the rule of traditional Polish cuisine – the main meal of a day has to be delicious and satiated, but also should consist of two dishes: the soup and the main course. The brand is currently available in Wrocław, Poland through aggregator platforms.

Viva Salad! is a brand developed exclusively for delivery channel that offers fresh, healthy and highly customizable dishes divided into few segments: Viva salads, protein dishes, desserts, milk shakes and fruit waters and smoothies. The concept was launched in Madrid and Barcelona in June 2020. The dishes are prepared in selected La Tagliatella locations.

(all figures in EUR millions unless stated otherwise)

Key investments

The capital expenditure incurred by AmRest relates mainly to a development of restaurant network. The Group increases the scale of the business through construction of new restaurants, acquisition of restaurant chains from third parties as well as reconstruction and replacement of assets in the existing stores. The Group's capital expenditure depends mainly on the number and type of restaurants opened and scale of M&A activity.

Incurred capex in H1 2020 was financed from cash flows from operating activities and debt financing.

The table below presents purchases of non-current assets in 6 months ended 30 June 2020 and 30 June 2019.

	6 months ended 30 June 2020	6 months ended 30 June 2019
Intangible assets:	**3.4**	**4.5**
Trademarks	-	-
Favourable leases and licence agreements	-	-
Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	1.6	2.9
Other intangible assets	1.8	1.6
Goodwill	**-**	**1.3**
Property, plant and equipment:	**32.8**	**75.0**
Land	-	-
Buildings and expenditure on development of restaurants	4.1	32.5
Machinery & equipment	7.8	29.4
Vehicles	0.1	0.2
Other tangible assets (including assets under construction)	20.8	12.9
Total	**36.2**	**80.8**

Capital investment* for 3 and 6 months ended 30 June 2020

	6 months ended		3 months ended	
	30 June 2020	**30 June 2019**	**30 June 2020**	**30 June 2019**
CEE	17.4	34.7	3.7	19.3
Western Europe	14.4	32.9	6.1	15.1
Russia	3.6	9.0	(0.2)	6.1
China	0.7	2.8	0.5	2.2
Other	0.1	0.1	-	-
Total	36.2	79.5	10.1	42.7

**Capital investment comprises increases and acquisition in property, plant and equipment, intangible assets, without goodwill increases*

AmRest's New Restaurants

	AmRest equity restaurants	AmRest franchisee restaurants	Total
31.12.2019	1 858	479	**2 337**
New Openings	27	4	**31**
Acquisitions	-	-	**-**
Closings	41	9	**50**
30.06.2020	**1 844**	**474**	**2 318**

As at 30 June 2020, AmRest operated 2 318 restaurants, including 474 restaurants which are managed by franchisees (161 La Tagliatella, 217 Pizza Hut, 21 Starbucks, 6 Blue Frog, 6 Bacoa and 63 Sushi Shop). Compared with 31 December 2019, the Group runs 19 less restaurants. 31 new restaurants were opened: 13 restaurants in Central and Eastern Europe, 3 in Russia, 13 in Western Europe and 2 in China.

Planned investment activities

Since March 2020 as a result of the COVID-19 pandemic spreading across many countries AmRest's capital expenditures have been limited in order to preserve liquidity and due to lack of visibility regarding further restrictions, business trends and general situation of the global economy.

Additionally task forces have been established in every market to monitor the situation around our employees, guests and financial standing and to implement cost saving initiatives and communicate with the governments about the support schemes in place.

The Group intends to continue its strategic directions of development, with the main focus on further expansion of the network in the regions of continental Europe, increase of scale in supply chain management and leadership in digital and delivery trends.

The roll-out of lighter restaurant formats (i.e. Pizza Hut Express, Pizza Hut Delivery, Sushi Shop Corners, Shadow kitchens) has increased availability of new locations across the Europe and widened the white space and capabilities for new openings.

AmRest's Management believes that in a long-term perspective expanding portfolio with exceptional proprietary brands shall also strengthen the value of the Group.

Similar to previous years, further improvement of returns from investments, digital capabilities and building the scalable growth platform will define the main criteria of shaping the structure of new launches and acquisitions.

Significant events and transactions in H1 2020

Satisfaction of all conditions envisaged by the agreement concluded with Glovoapp23 S.L.

On 13 August 2019 the Group has signed the agreement with Glovoapp23, S.L. ("Glovo") for the transfer from AmRest to Glovo of 100% shares in Restaurant Partner Polska Sp. z o.o. ("PizzaPortal") (further: the "Agreement"). At 30 September 2019, Restaurant Partner Polska Sp. z o.o. was classified as a disposal group held for sale. On 28 October, due to satisfaction of conditions precedent, AmRest transferred 100% of shares in PizzaPortal to Glovo.

On 24 January 2020 the Company announced satisfaction of all conditions envisaged by the Agreement and final settlement of the transaction. In consideration for the transfer of 100% of shares in Restaurant Partner Polska Sp. z o.o. AmRest received total transaction price in the amount of EUR 35 million, as a combination of cash payment of EUR 20 million and newly issued shares of Glovo, which constituted final settlement of the Agreement.

As a result of the abovementioned transaction AmRest held 7.5% stake in Glovo's share capital (non-diluted).

Initiation of the procedures to execute an ERTE

On 20 March, 2020 AmRest announced initiation of the procedures for the presentation of Temporary Employment Regulation Files (Expediente de Regulación Temporal de Empleo) on a force majeure basis, as per Royal Decree-Law 8/2020, of March 17, on extraordinary urgent measures to face the economic and social impact of COVID-19 (the "ERTE").

The ERTE was supposed to cover a maximum of 3 666 employees, who represented 93% of the AmRest workforce in Spain; 7.1% at group level.

Due to the government measures, AmRest proceeded to the temporary closure of 143 equity restaurants in Spain of the brands KFC, La Tagliatella, Bacoa and Blue Frog.

This initiative was part of the measures that the AmRest Group took to mitigate the impact caused by the COVID-19 crisis.

(all figures in EUR millions unless stated otherwise)

Further measures adopted regarding employment

On 14 April, 2020 AmRest announced that, in accordance with the provisions of article 47 of the Workers Statute, in relation to Royal Decree 1483/2012 and article 23 of Royal Decree-Law 8/2020, it has filed before the Spanish labor authority a ERTE on productive grounds for the company AmRest Tag, S.L.U. The ERTE covered a total of 55 employees (65% of the total employees) through a combination of temporary suspension of contracts and reduction of working hours.

Earlier, the ERTE program covered also approximately 60 employees of Sushi Shop restaurants in Spain (about 93.55% of the workforce).

Likewise, AmRest informed of the following measures adopted regarding employment in the below jurisdictions in which it operates:

France

A general reduction in working hours has been established for a total of 4 669 employees, representing 93% of the total workforce of the AmRest Group in France. In France, 86% of the AmRest Group's equity restaurants of the Sushi Shop, Pizza Hut, KFC and Tagliatella brands were closed.

Portugal

Temporary suspension of all labor contracts, affecting a total of 68 employees. The 6 AmRest restaurants in Portugal were closed.

Poland

Reduction of working hours and salaries has been established for a total of 4 050 employees, representing 44% of total number of employees of AmRest Group in mid-April in Poland 295 own restaurants (53% of the total) remained open in Poland.

External Debt

In April 2020 Spanish and French subsidiaries of AmRest Holdings SE applied for and received state supported bank loans, guaranteed by the governments in 70% and 90%, respectively. In particular, Restauravia Food SL and Pastificio Service S.L.U. were granted EUR 22.5 million each and Sushi Shop Restauration SAS received EUR 20 million. As at 30 June 2020 the Group has withdrawn EUR 26.2 million, out of granted balance. Additionally, in May 2020 French subsidiary AmRest Opco SAS received state supported bank loan in the amount of EUR 10 million, guaranteed by the government in 90%. Loans' tenors are 3 years and 5 years with 1 year grace periods. The Group was granted total EUR 75 million.

Shareholders of AmRest Holdings SE

To the best of AmRest's knowledge as at 30 June 2020 AmRest Holdings had the following shareholder structure:

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

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

Changes in the Parent Company's Governing Bodies

As at 30 June 2020 the composition of the Board of Directors was as follows:

- Mr. José Parés Gutiérrez
- Mr. Carlos Fernández González
- Mr. Luis Miguel Álvarez Pérez
- Mr. Emilio Fullaondo Botella
- Ms. Romana Sadurska
- Mr. Pablo Castilla Reparaz
- Mr. Mustafa Ogretici

- Eduardo Rodríguez-Rovira Rodríguez (Secretary, non-Board member)
- Jaime Tarrero Martos (Deputy Secretary, non-Board member)

On 1 July, 2020 AmRest informed of the resignation presented by the director Mr. Mustafa Ogretici and the appointment by co-option to fill said vacancy of Ms. Mónica Cueva Díaz, as an independent director, approved on the same day by the Board of Directors, following a proposal from the Appointments and Remunerations Committee and a report from the Board. Ms. Mónica Cueva Díaz also held the positions of member of the Audit Committee and the Health and Safety Committee; the latter of which started to be chaired by Ms. Romana Sadurska.

In accordance with the provisions of article 244 of the Capital Companies Law, said appointment is subject to ratification by the next General Shareholders' Meeting.

As at the date of publication of this report the composition of the Board of Directors is as follows:

- Mr. José Parés Gutiérrez
- Mr. Carlos Fernández González
- Mr. Luis Miguel Álvarez Pérez
- Mr. Emilio Fullaondo Botella
- Ms. Romana Sadurska
- Mr. Pablo Castilla Reparaz
- Ms. Mónica Cueva Díaz

- Eduardo Rodríguez-Rovira Rodríguez (Secretary, non-Board member)
- Jaime Tarrero Martos (Deputy Secretary, non-Board member)

Changes in the number of shares held by members of the Board of Directors

During the period since 1 January 2020 the following changes occurred with respect to AmRest shares and stock options held by the members of the Board of Directors of AmRest.

As at 31 December 2019 Mr. Carlos Fernández González (member of the Company's Board of Directors) held through its closely associated person, FCapital Dutch B.V., 147 203 760 shares of the Company with a total nominal value of EUR 14 720 376. On 30 June 2020, Mr. Carlos Fernández González still held 147 203 760 AmRest's shares with a total nominal value of EUR 14 720 376 through FCapital Dutch B.V.

In addition, in March 2020, Finaccess México, S.A. de C.V., Sociedad Operadora de Fondos de Inversión, a person closely associated to Mr. Carlos Fernández, reported a holding of 516 204 shares. The holder of the shares is Latin 10, SA de CV, a fund independently managed by Finaccess Mexico, S.A. de C.V. (a subsidiary of Grupo Finaccess).

Transactions on own shares concluded by AmRest

The commencement of the purchase of treasury shares occurred on the basis of Resolution No. 7 of the General Meeting of the Company of 19 May 2015 concerning the authorization for the Management Board to acquire treasury shares in the Company and the establishment of reserve capital and (replacing it) Resolution No. 9 of the General Meeting of the Company of 6 June 2018 concerning the authorization to the Board of Directors for the derivative acquisition of the Company's own shares made directly by the Company or indirectly through its subsidiaries as well as for the sale of the own shares.

The Company was acquiring the own shares for the purposes of execution of stock option programs: Employee Stock Option Plan and Management Incentive Plan.

In the period between 1 January 2020 and 30 June, 2020, AmRest didn't purchase any own shares. During the same period, the Company disposed a total of 84 714 own shares with a total nominal value of EUR 8 471.4 and representing 0.0386% of the share capital to entitled participants of the stock options plans. Disposal transactions under these plans were executed in three settlement methods, which impacted the sale price. Major part of the shares was transferred to the participants free of charge. As at 30 June 2020 AmRest held 639 701 own shares with a total nominal value of EUR 63 970.1 and representing 0.2914% of the share capital.

The subsidiaries of AmRest Holdings SE do not hold any Company's shares.

Dividends paid and received

In the period covered by this Report the Group has paid a dividend to non-controlling interest of SCM s.r.o. in the amount of EUR 0.3 million (CZK 1.1 thousand).

Subsequent events

On 9 July, 2020 AmRest released the update on business situation. Following the lifting or loosening of restrictions on the opening of restaurants caused by the COVID-19 pandemic, in the first half of July AmRest maintained open 94% of the Group's total number of restaurants.

Out of the 26 markets in which the Group operates, openings had been fully restored in almost all of them, with the exception of Russia where the percentage of open stores was slightly below 80%.

The AmRest Group had implemented the strictest measures in its restaurants to guarantee the safety of customers and employees at all times.

It was also reported that AmRest has obtained the waiver from its financing banks to comply with certain financial covenant as of 31 March, 2020, as anticipated in the interim management report for the first quarter of 2020. AmRest is punctually meeting its financial payment obligations vis-à-vis its financing banks, with whom AmRest keeps working closely to adapt the financial commitments to the situation caused by the COVID-19.

On 1 September 2020 the Group has received waiver letter from the banks. The requirement of the bank covenant for the quarter ending 30 June 2020 has been waived.

On 30 July 2020 Supreme Court announced a positive court verdict in regards to VAT settlements of AmRest Sp. z o.o. for the year 2012 and January – September 2013. The court rejected the complaint of the tax chamber against the earlier verdict of the local administrative court. The verdict was based on the statute of limitations on the tax liability for these years.

Factors impacting the Group's development

The Board of Directors of AmRest believes that the following factors will have a significant effect on the Group's future development and results.

External factors

- competitiveness – in terms of prices, quality of service, location and quality of food,
- demographic changes,
- consumer habits and trends as to the number of people using the restaurants,
- number and location of the competitors' restaurants,
- changes in the law and regulations which have a direct effect on the functioning of the restaurants and the employees employed therein,
- change in real estate rental costs and related costs,
- changes in the prices of ingredients used to prepare meals and changes in the prices of packaging materials,
- changes in the general economic condition in all countries where the business is run,
- changes in consumer trust, the amount of disposable income and individual spending patterns,
- changes in legal and tax determinants,
- adverse changes on the financial markets,
- situation around COVID-19 pandemic, including progress and efficiency of medical treatments.

Internal factors

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

Basic risks and threats the Group is exposed to

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

Liquidity risk

The Group is exposed to the liquidity risk due to the breach of covenants and reclassification of long-term debt to short-term which can be therefore due in the next 12 months.The Group actively manages liquidity resources and does its best to improve the business. Strengthening of the Group's position in terms of liquidity and mitigation of adverse impacts of COVID-19 outbreak is taken on several areas. The Group maintains close communication with its financing banks. In March 2020 Group has drawn entire facility available under revolving Tranche D of syndicated bank loan, increasing amount drawn from EUR 37.3 million in the end of 2019 to 98.9 million in the end of 1Q 2020. Additionally in April 2020 Spanish and French subsidiaries of AmRest Holdings, SE applied for state supported bank loans, guaranteed by the governments in 70% and 90%, respectively. The Group was granted total EUR 75 million Additionally, the Group sees recovery in its core business as the number of open restaurants have increased and the revenues trends have been recovering.

AmRest has established internal task forces in every market to monitor the situation also around cost saving initiatives and also a big part of capital expenditures have been put under review. The Group was and is closely monitoring available program that are offered on various markets. The government support programs include for example direct subsidies to payroll costs, tax exemptions, social security contributions reductions. Additionally entities from the Group were able to apply for extended deadlines for payments of various taxes.

The Group analyzes liquidity needs with particular focus on maturity of debt and proactively investigates various forms of financing that could be utilized if needed.

Risk related to the COVID-19 and its implications for the economy and society

The COVID-19 pandemic has rapidly spread around the world. Most governments are taking constrain measures to contain the spread, which include isolation, confinement, quarantine and restrictions to free movement of people and closure of public and private facilities.

This situation is affecting significantly the global economy, including HORECA sector, as well as AmRest Group.

Visible results of the COVID-19 outbreak include the decrease in demand, the disruption or slowdown of supply chains and a significant increase in economic uncertainty, increase of volatility in the price of assets, exchange rates and a decrease in long term interest rates. Possible results of the COVID-19 outbreak may include changes in the market environment, peoples behaviors and ways of living.

The COVID-19 pandemic has a particularly negative impact on the restaurants sectors. The ban or significant limitations in operation of restaurants resulted in a decrease in business activity and customer demand and consequently decrease of revenues.

Group management is closely monitoring the development of situation and looks for the ways of mitigating the impact of COVID-19 spread on the Group. In addition, the Group implemented additional measures to mitigate the risk of infection among its employees, including in particular:

- Providing detailed instructions and guidelines on monitoring the health of the Group's employees and the health of Group's customers.
- Strengthening already stringent hygiene, cleaning and sanitation procedures and introducing contactless options that protect both employees and guests in restaurants.
- Providing the restaurant employees with additional personal protection and hygiene supplies.
- Requesting to reduce the number of meetings as well as domestic and foreign business travel, and to use teleconferencing and video-conferencing facilities to the largest extent possible, as well enabling remote work.

Rental agreements and continuation options

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

As a consequence of the pandemic and lack of business activity or relatively lower activity in certain locations, the Group performed review of its rental agreements and has entered into negotiations with landlords. One of the outcomes may be that some locations would need to be closed due to worsened economics and lack of mutual agreement between the parties. Terminating the relevant rental contract on cost effective terms may prove impossible. This situation may also have an adverse effect on the business activities and operating results of the Group. Additionally, closing any of the franchised restaurants is subject to the approval by the franchisor and it is not certain that such approval will be obtained.

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

Dependency on the franchisor

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

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

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

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

Dependency on cooperation with minority shareholders

AmRest opens Starbucks restaurants in Poland, the Czech Republic and Hungary based on a partnership agreements with Starbucks Coffee International, Inc. The partnership assumes Starbucks Coffee International, Inc. is the minority shareholder of companies operating Starbucks stores in mentioned countries. Therefore, some decisions as part of the joint business activities are dependent on the partners' consent.

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

No exclusivity rights

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

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

Risk related to the consumption of food products

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

Risk related to keeping key personnel in the Group

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

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

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

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

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

Risk related to developing new brands

AmRest has operated Blue Frog, KABB, Bacoa, Sushi Shop and all the virtual brands for a relatively short time. As these are new concepts for AmRest, there is a risk related to demand for the products offered and their acceptance by customers.

Risk related to opening restaurants in new countries

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

Currency risk

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

Risk related to the current geopolitical situation

The Company conducts its business in countries where political situation is uncertain. Tensions around that subject may result in a negative impact on economy, including instable currency, interest rates, liquidity, supply chain disruptions and consumer confidence deterioration. All these events and uncertainty that accompanies them may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict. The future economic and regulatory situation may differ from the Management's expectations however it is being monitored in order to adjust strategic intentions and operational decisions, which will minimize business risks.

Risk of increased financial costs

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

Tax risk

In the process of managing and making strategic decisions, which can affect the tax settlements, AmRest is exposed to tax risk. All irregularities occurring in tax settlements increase of the risk of dispute in the case of a potential tax control. As part of these risks' minimization, AmRest takes care of deepening the knowledge of its employees in the area of tax risk management and compliance with respective legal requirements. The Company implements adequate procedures to facilitate the identification and subsequent reduction or elimination of risks in the area of tax settlements.

Moreover, in connection with frequent legislative changes, inconsistency of regulations, as well as differences in interpretation of legal regulations, AmRest uses professional tax advisory services and applies for binding interpretations of the tax law provisions.

Current fiscal supervisions are presented in Note 9 to the Condensed Consolidated Financial Statements as at June 30, 2020.

Credit risk

Exposure to credit risk include cash and cash equivalents and trade and other receivables. With the development of franchise business, AmRest is getting exposed more to credit risk. Therefore the quality of franchisees portfolio is key priority.

Risk of economic slowdowns

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

Risk related to seasonality of sales

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

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

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

Cyberattack risk

Group's operations are supported by wide variety of IT systems, including point-of-sale systems, electronic ordering platforms, supply-chain management systems and finance and controlling tools. Consequently, the Group is exposed to the risk of temporary operational disruption, data integrity risk and/or unauthorized access to confidential data, which may be a result of both intentional cyberattack or an unintentional event. In order to mitigate these risks, the Group established specialized IT-security unit and implemented appropriate cybersecurity risk mitigation tools, including security polices, personnel training and technical prevention countermeasures.

Risk related to the pending exit of the UK from the European Union

It is difficult to predict how the exit of the United Kingdom from the European Union may affect the financial markets. Despite the fact that AmRest runs only few restaurants in the UK, the risk of adverse effects of Brexit on economy of different UE countries (where the Company operates its business) cannot be entirely excluded.

Factors remaining outside the Group's control

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

Activity in Research and Development area

The Group wants to serve to its customers the highest quality products that are balanced in terms of taste and nutritional composition. Following business trends and customer needs all brands operated by the Group have established departments focusing on new product development, as well as improvement of the existing products.

Activities in that area include for example: market researches, careful selection of ingredients, packaging, creation and preparation of new products, tastings followed by collection of customers feedbacks and launch of the final products.

(all figures in EUR millions unless stated otherwise)

Financial data of AmRest for 3 and 6 months ended 30 June 2020

Condensed consolidated income statement for 3 and 6 months ended 30 June 2020 and 2019

	6 months ended		3 months ended	
Continuing operations	**30 June 2020**	**30 June 2019 (restated*)**	**30 June 2020**	**30 June 2019 (restated*)**
Restaurant sales	653.8	878.9	262.1	456.3
Franchise and other sales	30.2	48.8	10.0	26.5
Total revenue	**684.0**	**927.7**	**272.1**	**482.8**
Restaurant expenses:				
Food and merchandise	(187.6)	(249.3)	(74.0)	(128.4)
Payroll, social security and employee benefits	(198.6)	(227.2)	(85.1)	(115.6)
Royalties	(30.2)	(41.3)	(11.1)	(21.5)
Occupancy and other operating expenses	(258.9)	(264.8)	(119.8)	(136.8)
Franchise and other expenses	(23.8)	(32.7)	(8.9)	(18.0)
General and administrative expenses	(69.7)	(72.2)	(34.1)	(38.7)
Total operating costs and losses	**(768.8)**	**(887.5)**	**(333.0)**	**(459.0)**
Net impairment losses on financial assets	(2.2)	(0.3)	(0.5)	(0.2)
Net impairment losses on other assets	(73.1)	(8.6)	(73.1)	(8.1)
Other operating income/expenses	20.0	3.9	18.0	2.3
Profit from operations	**(140.1)**	**35.2**	**(116.5)**	**17.8**
Finance income	0.8	2.2	0.6	1.8
Finance costs	(33.2)	(22.1)	(8.6)	(11.4)
Profit before tax	**(172.5)**	**15.3**	**(124.5)**	**8.2**
Income tax	10.2	(4.3)	4.5	(1.0)
Profit for the period	**(162.3)**	**11.0**	**(120.0)**	**7.2**
Profit attributable to:				
Shareholders of the parent	(160.7)	10.4	(119.1)	6.7
Non-controlling interests	(1.6)	0.6	(0.9)	0.5
Profit for the period				
Basic earnings per ordinary share in EUR	(0.73)	0.05	(0.54)	0.03
Diluted earnings per ordinary share in EUR	(0.73)	0.05	(0.54)	0.03

**The comparative data were restated as a result of a reclassification adjustment for delivery fee expenses described in note 7 in the consolidated financial statement for H1 2020.*

(all figures in EUR millions unless stated otherwise)

Number of AmRest restaurants (as at 30 June 2020)

Countries	Brands	30.06.2019	31.12.2019	31.03.2020	30.06.2020
Poland	**Total**	523	559	556	557
	KFC	267	282	283	282
	BK	42	45	44	44
	SBX	71	73	73	70
	PH equity	142	157	153	153
	BF	1	-	-	-
	Lepieje	-	1	1	2
	Oi Poke	-	1	1	2
	Moya Misa	-	-	1	2
	Pierwsze i Drugie	-	-	-	2
Czech Republic	**Total**	168	191	191	191
	KFC	97	105	105	105
	BK	17	20	20	20
	SBX	45	49	49	49
	PH equity	9	17	17	17
Hungary	**Total**	107	130	130	130
	KFC	61	70	70	70
	SBX	27	34	34	34
	PH equity	19	26	26	26
Russia	**Total**	251	271	270	264
	KFC	184	202	205	204
	PH equity	37	39	36	32
	PH franchised	30	30	29	28
Bulgaria	**Total**	23	24	24	24
	KFC	8	8	8	8
	BK	1	2	2	2
	SBX	14	14	14	14
Serbia	**Total**	11	12	13	15
	KFC	10	10	11	12
	SBX	1	2	2	3
Croatia	**KFC**	8	8	8	8
Romania	**Total**	46	54	53	54
	SBX	46	52	51	51
	BK	-	2	2	3
Slovakia	**Total**	10	13	14	14
	SBX	5	7	7	7
	PH equity	2	3	3	3
	BK	3	3	4	4
Armenia	**PH franchised**	2	3	3	3
Azerbaijan	**PH franchised**	2	2	2	2
Spain	**Total**	333	344	329	329
	TAG equity	73	75	72	72
	TAG franchised	164	163	160	160
	KFC	71	83	81	81
	Blue Frog equity	5	5	-	-
	Blue Frog franchised	2	2	2	2
	Bacoa equity	4	4	2	2
	Bacoa franchised	5	6	6	6
	Sushi Shop equity	2	4	4	4
	Sushi Shop franchised	7	2	2	2
	Viva Salad!	-	-	-	-
France	**Total**	322	322	325	328
	TAG equity	5	5	5	5
	TAG franchised	1	1	1	1
	KFC	12	13	13	13
	PH equity	117	108	109	109
	PH franchised	67	70	70	70
	Sushi Shop equity	87	89	91	94

(all figures in EUR millions unless stated otherwise)

Countries	Brands	30.06.2019	31.12.2019	31.03.2020	30.06.2020
	Sushi Shop franchised	33	36	36	36
Germany	**Total**	277	282	276	274
	SBX	143	145	141	139
	SBX licensed	18	20	21	21
	TAG equity	2	2	2	2
	KFC	27	27	27	27
	PH equity	8	10	10	10
	PH franchised	76	75	75	75
	Sushi Shop franchised	3	3	-	-
Austria	**KFC**	2	2	2	2
Slovenia	**KFC**	1	1	1	1
Portugal	**Total**	5	5	6	6
	TAG equity	2	2	3	3
	Sushi Shop franchised	3	3	3	3
China	**Total**	64	72	74	72
	Blue Frog equity	61	66	68	67
	Blue Frog franchised	-	4	4	4
	KABB	3	2	2	1
Belgium	**Total**	10	11	11	11
	Sushi Shop equity	5	5	5	5
	Sushi Shop franchised	5	6	6	6
Italy	**Total**	3	3	3	3
	Sushi Shop equity	1	1	1	1
	Sushi Shop franchised	2	2	2	2
Switzerland	Sushi Shop equity	6	7	7	7
Luxembourg	Sushi Shop equity	2	2	2	3
Netherlands	Sushi Shop equity	1	1	1	1
UK	Sushi Shop equity	5	5	5	5
UAE	Sushi Shop franchised	9	10	11	11
Saudi Arabia	Sushi Shop franchised	3	3	3	3
Iran*	Sushi Shop franchised	1	-	-	-
Total AmRest		**2 195**	**2 337**	**2 320**	**2 318**

** In July 2019, Group terminated the contract with the master franchisee for Iran and has no business there of any kind*

The statements contained in this Director's Report may contain certain forward-looking statements relating to the Group that are based on the beliefs of the Group's management as well as assumptions made by and information currently available to the Group's management and are not a guarantee of future performance or developments. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. The Group does not intend to update or otherwise revise such forward-looking statements, whether as a result of new information, future events or otherwise.

Reliance on any forward-looking statements involves known and unknown risks and uncertainties and, accordingly, readers are strongly cautioned to not place reliance on any forward-looking information or statements.

Signatures of the Board of Directors

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

Romana Sadurska
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mónica Cueva Díaz
Member of the Board

Emilio Fullaondo Botella
Member of the Board

Madrid, 24 September 2020