AmRest Holdings SE
Consolidated condensed interim financial statements
as at and for the six months ended
June 30, 2016

Contents

Interim consolidated income statement
for the period ended June 30, 2016

In thousands of Polish Zloty	Notes	For the 6 months ended June 30, 2016	For the 6 months ended June 30, 2015
Continuing operations			
Restaurant sales		1 713 170	1 462 322
Franchise and other sales		122 106	97 353
Total sales	2	**1 835 276**	**1 559 675**
Company operated restaurant expenses:			
Food and material		(523 723)	(457 087)
Payroll and employee benefits		(389 954)	(326 361)
Royalties		(84 090)	(71 652)
Occupancy and other operating expenses		(522 814)	(440 343)
Franchise and other expenses		(79 133)	(64 230)
General and administrative (G&A) expenses		(130 831)	(115 249)
Impairment losses	2,6,8	(6 948)	(4 040)
Other operating income		12 158	8 213
Total operating costs and losses		(1 725 335)	(1 470 749)
Profit from operations		**109 941**	**88 926**
Finance costs	2,4	(21 597)	(21 638)
Finance income	2,3	1 071	3 193
Income from associates	2,23	(11)	95
Profit before tax		**89 404**	**70 576**
Income tax expense	2,5	(14 242)	(17 522)
Profit for the period		**75 162**	**53 054**
Profit/(loss) attributable to:			
Non-controlling interests		(857)	77
Equity holders of the parent		76 019	52 977
Profit for the period		**75 162**	**53 054**
Basic earnings per share in Polish zloty	1j)	3.58	2.50
Diluted earnings per share in Polish zloty	1j)	3.58	2.50

The interim consolidated income statement has to be analyzed jointly with the notes which constitute an integral part of these interim condensed consolidated financial statements.

Interim consolidated comprehensive income statement

for the period ended June 30, 2016

In thousands of Polish Zloty	**Notes**	**For the 6 months ended June 30, 2016**	**For the 6 months ended June 30, 2015**
Profit for the period		75 162	53 054
Other comprehensive income/(loss):			
Currency translation differences from conversion of foreign Entities	14	86 634	21 546
Net investment hedges	14	(24 515)	9 589
Income tax concerning net investment hedges	5,14	4 658	(1 822)
Total items that may be reclassified subsequently to profit		66 777	29 313
Total items that will not be reclassified to income statement		-	-
Other comprehensive income for the period, net of tax		**66 777**	**29 313**
Total comprehensive income for the period		**141 939**	**82 367**
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		142 719	77 827
Non-controlling interests		(780)	4 540

The interim consolidated comprehensive income statement has to be analyzed jointly with the notes which constitute an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of financial position
as at June 30, 2016

In thousands of Polish Zloty	Notes	30.06.2016	31.12.2015
Assets			
Property, plant and equipment	6	1 203 521	1 060 019
Goodwill	7	760 927	583 091
Other intangible assets	8	603 367	574 109
Investment properties		22 152	22 152
Investments in associates	23	818	828
Other non-current assets	9	55 879	51 801
Deferred tax assets	5	54 398	33 352
Total non-current assets		**2 701 062**	**2 325 352**
Inventories	10	70 556	64 346
Trade and other receivables	11	80 792	92 090
Corporate income tax receivables		8 246	5 458
Other current assets	12	31 267	44 007
Cash and cash equivalents	13	346 460	317 871
Total current assets		**537 321**	**523 772**
Total assets	2	**3 238 383**	**2 849 124**
Equity			
Share capital		714	714
Reserves	14	673 282	678 306
Retained earnings		540 475	464 456
Translation reserve	14	(23 890)	(110 447)
Equity attributable to shareholders of the parent		**1 190 581**	**1 033 029**
Non-controlling interests		**70 265**	**71 045**
Total equity		**1 260 846**	**1 104 074**
Liabilities			
Interest-bearing loans and borrowings	15	1 250 218	1 035 946
Finance lease liabilities	19	7 920	7 921
Employee benefit liability	17	14 874	26 677
Provisions		19 504	3 680
Deferred tax liability	5	110 260	90 492
Other non-current liabilities	16	13 474	14 901
Total non-current liabilities		**1 416 250**	**1 179 617**
Interest-bearing loans and borrowings	15	95 969	89 418
Finance lease liabilities	19	1 469	1 323
Trade and other accounts payable	18	450 858	461 774
Corporate income tax liabilities		12 991	12 918
Total current liabilities		**561 287**	**565 433**
Total liabilities	2	**1 977 537**	**1 745 050**
Total equity and liabilities		**3 238 383**	**2 849 124**

The interim consolidated statement of financial position has to be analyzed jointly with the notes which constitute an integral part of these interim condensed consolidated financial statements.

Interim consolidated cash flow statement
for the period ended June 30, 2016

In thousands of Polish Zloty	Notes	For the 6 months ended June 30, 2016	For the 6 months ended June 30, 2015
Cash flows from operating activities			
Profit before tax from continued operations	2,5	89 404	70 576
Adjustments for:			
Share of profit/(loss) of associates	23	11	(95)
Amortization	2,8	15 496	10 973
Depreciation	2,6	110 780	94 048
Interest expense, net	3,4	16 832	16 936
Foreign exchange result	3,4	662	(1 374)
Loss on disposal of property, plant and equipment and intangibles		153	(2 790)
Impairment of property, plant and equipment and intangibles	2,6,8	7 834	3 057
Equity-settled share-based payments expenses	14	13 051	14 565
Working capital changes:			
Change in receivables	13	16 541	6 895
Change in inventories	13	2 170	(1 909)
Change in other assets	13	22 096	(7 173)
Change in payables and other liabilities	13	(112 049)	(15 906)
Change in other provisions and employee benefits	13	6 562	(2 988)
Income tax paid		(14 116)	(1 672)
Interest paid	4	(17 903)	(18 630)
Interests received	3	1 070	1 694
Other		5 431	2 335
Net cash provided by operating activities		**164 025**	**168 542**
Cash flows from investing activities			
Payments for acquisition of subsidiaries	2	(155 147)	(64 025)
Proceeds related to the acquisition of subsidiaries	2	14 330	-
Acquisition of property, plant and equipment	6	(165 512)	(84 532)
Acquisition of intangible assets	8	(9 818)	(9 482)
Net cash used in investing activities		**(316 147)**	**(158 039)**
Cash flows from financing activities			
Proceeds from issue of shares (stock options for employees)		4 882	5 667
Expenditure on the purchase of own shares (stock options for employees)		(11 016)	(27 000)
Proceeds from loans and borrowings		197 707	5 029
Expense on settlement of employee stock option in cash		(2 574)	-
Dividends received from affiliates	23	-	158
Proceeds/(repayment) of finance lease payables		(98)	(216)
Net cash provided by/(used in) financing activities		**188 901**	**(16 362)**
Net change in cash and cash equivalents		**36 779**	**(5 859)**
Effect of foreign exchange rate movements		(8 190)	(4 621)
Balance sheet change of cash and cash equivalents		28 589	(10 480)
Cash and cash equivalents, beginning of period		317 871	257 171
Cash and cash equivalents, end of period		**346 460**	**246 691**

The interim consolidated cash flow statement has to be analyzed jointly with the notes which constitute an integral part of these interim condensed consolidated financial statements.

AmRest Holdings SE

Interim consolidated statement of changes in equity for the 6 months ended June 30, 2016

	Attributable to equity holders							
		Reserved capital (note 14)						
	Issued capital	Treasury shares	Other reserved capital	Retained Earnings	Cumulative translation adjustments	**Total equity attributable to equity holders of the parent**	Non-controlling interest	**Total Equity**
As at January 31, 2015	**714**	**(4 014)**	**696 638**	**304 420**	**(86 216)**	**911 542**	**64 100**	**975 642**
COMPREHENSIVE INCOME								
Income for the period	-	-	-	52 977	-	**52 977**	77	**53 054**
Currency translation differences (note 14)	-	-	-	-	17 083	**17 083**	4 463	**21 546**
Impact of net investment hedging (note 5, 14)	-	-	9 589	-	-	**9 589**	-	**9 589**
Deferred income tax concerning net investment hedges (note 14)	-	-	(1 822)	-	-	**(1 822)**	-	**(1 822)**
Total Comprehensive Income	**-**		**7 767**	**52 977**	**17 083**	**77 827**	**4 540**	**82 367**
TRANSACTION WITH SHAREHOLDERS								
Purchase of treasury shares	-	(27 000)	-	-	-	**(27 000)**	-	**(27 000)**
Treasury shares disposal	-	11 551	(11 551)	-	-	-	-	-
Employees share option scheme – value of employee services	-	-	14 565	-	-	**14 565**	-	**14 565**
Employees share option scheme – value realized options	-	-	(7 484)	-	-	**(7 484)**	-	**(7 484)**
Total transactions with shareholders	**-**	**(15 449)**	**(4 470)**	**-**	**-**	**(19 919)**	**-**	**(19 919)**
As at June 30, 2015	**714**	**(19 463)**	**699 935**	**357 397**	**(69 133)**	**969 450**	**68 640**	**1 038 090**
As at January 1, 2016	**714**	**(21 212)**	**699 518**	**464 456**	**(110 447)**	**1 033 029**	71 045	**1 104 074**
COMPREHENSIVE INCOME								
Income for the period	-	-	-	76 019	-	**76 019**	(857)	**75 162**
Currency translation differences (note 14)	-	-	-	-	86 557	**86 557**	77	**86 634**
Impact of net investment hedging (note 5,14)	-	-	(24 515)	-	-	**(24 515)**	-	**(24 515)**
Deferred income tax concerning net investment hedges (note 14)	-	-	4 658	-	-	**4 658**	-	**4 658**
Total Comprehensive Income	**-**	**-**	**(19 857)**	**76 019**	**86 557**	**142 719**	**(780)**	**141 939**
TRANSACTIONS WITH SHAREHOLDERS								
Purchase of treasury shares	-	(11 016)	-	-	-	**(11 016)**	-	**(11 016)**
Treasury shares disposal	-	27 799	(27 799)	-	-	-	-	-
Employee stock option plan – value of employee benefits exercised in the period	-	-	9 576	-	-	**9 576**	-	**9 576**
Employee stock option plan – proceeds from employees for disposed shares	-	-	4 882	-	-	**4 882**	-	**4 882**
Employee stock option plan – value of unexercised employee benefits*	-	-	9 831	-	-	**9 831**	-	**9 831**
Change of deferred tax related to unexercised employee benefits	-	-	1 560	-	-	**1 560**	-	**1 560**
Total transactions with shareholders	**-**	**16 783**	**(1 950)**	**-**	**-**	**14 833**	**-**	**14 833**
As at June 30, 2016	**714**	**(4 429)**	**677 711**	**540 475**	**(23 890)**	**1 190 581**	**70 265**	**1 260 846**

** The amount includes the change of options characteristics for equity-settled options (according to note 17)*

The interim statement of changes in consolidated equity has to be analyzed jointly with the notes which constitute an integral part of these interim condensed consolidated financial statements.

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

1. Information on the Group and significant accounting policies

a) General information

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

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

Hereafter, the Company and its subsidiaries shall be referred to as "the Group". The Group's interim consolidated financial statements for the 6 months ended June 30, 2016 cover the Company, its subsidiaries and the Group's shares in associates.

These interim consolidated condensed financial statements were approved by the Company's Management Board on August 12, 2016.

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

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

As at June 30, 2016, FCapital Dutch B.V. was the largest shareholder of AmRest and held 31.71% of its shares and voting rights.

Pursuant to the information available to the Company, as at the date of release of this annual report, that is August 12, 2016 (without including possible effect of information from note 2) the following shareholders submitted information on holding directly or indirectly (through subsidiaries) 5% or more of the total vote at the General Shareholders Meeting of AmRest Holdings SE:

Shareholders	Shares amount	Share in Equity%	Shares amount at AGM	Share at AGM%
FCapital Dutch B.V.*	6 726 790	31.71%	6 726 790	31.71%
Nationale-Nederlanden OFE**	2 539 429	11.97%	2 539 429	11.97%
PTE PZU ***	2 120 901	9.998%	2 120 901	9.998%
Aviva OFE	2 100 000	9.90%	2 100 000	9.90%

* FCapital Dutch B. V. is the subsidiary of Finaccess Capital, S.A. de C.V.
** The previous name: ING OFE
*** PTE PZU SA manages assets which include funds belonging to OFE PZU "Złota Jesień" and DFE PZU

Pizza Hut and KFC restaurants operate on the basis of franchise agreements signed with YUM! and YUM! Restaurants International Switzerland, Sarl ("YRIS") which is a subsidiary of YUM! Each of the franchise agreements covers a period of 10 years, with the possibility of extending it for a further 10-year period, which is conditional to meeting operating terms and conditions specified in the agreements.

On March 8, 2007, the Company signed a "Development Agreement" with Burger King Europe GmbH ("BKE"), relating to opening and operating Burger King restaurants in Poland on a franchise basis. Burger King restaurants operate on the basis of franchise agreements signed with Burger King Europe GmbH with its registered office in Zug, Switzerland. Each of the franchise agreements covers a period of 10 years, with the possibility of extending it for a further 10-year period, which is conditional to meeting specific terms and conditions specified in the agreements. For restaurants opened between March 01, 2009 and June 30, 2010 and after this period, the franchise agreement was prolonged from 10 to 20 years from the opening date of new restaurants, but without possibility to prolong this period for next 10 years.

The main terms and conditions of the signed "Development Agreement" are as follows:

- During the first two years after opening the first Burger King restaurant by the Group, BKE will pay to the advertising and sales promotion fund an amount equal to 2.5% of the monthly sales of all Burger King restaurants operated by the Group. During the third year from opening the first Burger King restaurant by the Group, BKE will pay to the advertising and sales promotion fund an amount equal to 2.0% of the monthly sales of all Burger King restaurants operated by the Group.
- During the first five years, the preliminary fee paid by the Group in respect of franchise agreements concluded for each Burger King restaurant for a period of 10 years will amount to USD 25.000 (should the Group extend the franchise period for a further 10 years, the fee for renewing the franchise will amount to another USD 25.000). Upon opening each consecutive Burger King restaurant exceeding the number of restaurants specified in the development plan, the preliminary fee will be reduced by 50%.

As at August 10, 2010 between BKE, AmRest sp. z o.o., AmRest BK s.r.o.(present AmRest s.r.o. after the merger as at December 28, 2011) and Company was signed "Strategic Development Agreement" partially amending "Development Agreement" and franchise agreement signed between AmRest Sp. z o.o. and AmRest BK s.r.o., considering opening and running Burger King restaurants, accordingly, in Poland and Czech.

Agreement describes terms of opening and operating new Burger King restaurant in Poland and Czech. In this agreement were agreed number of new Burger King restaurants, that AmRest Sp. z o.o. in Poland and AmRest s.r.o. in Czech is obliged to open in agreed timeframe. In this contract were also agreed rules of modification in agreed chain development schedules for given years. It was also established in agreement that if AmRest Sp. z o.o. or AmRest s.r.o. does not fulfill their obligations from development agreements concerning amount of new openings, each side of agreement (Group and BKE) will have right to cancel development agreement according to rules described in the development agreement.

Validity period of franchisee agreement, therefore licenses for Burger King restaurants opened in Poland in period from March 1, 2009 till June 30, 2010, and also for newly opened restaurants in Poland was extended from 10 to 20 years since date of restaurant opening, however without option of prolongation for next 10 years, what was provided in original development agreement with AmRest sp. z o.o. In relation to restaurants opened in Poland in the period from March 1, 2009 to June 30, 2010 and in relation to restaurants opened in and after this period (for franchise agreements for 20 years) was increased also amount of initial franchise payment from 25.000 USD to 50.000 USD.

According to "Strategic development agreement", Companies of the Group guaranteed to BKE fulfilling of AmRest sp. z o.o. and AmRest s.r.o obligations resulting from development agreements. Companies of the Group are committed to cover any damages to BKE caused by the developers actions, that is AmRest sp. z o.o. and AmRest s.r.o. Currenlty Group Companies are renegotiating terms of above mentioned agreements, especially in the area of planned development, in order to agree applicable terms of future development.

Agreement was signed for agreed period of time till June 30, 2015 with qualification, that period of agreement's effectiveness will be extended till the end of development agreement validity period for AmRest sp. z o.o. and AmRest s.r.o. On November 13, 2015 ammendment letter to Strategic Development Agreement was signed extending the terms till December 31 2016.

On January 31, 2014 between Burger King Europe GmbH (BKE), AmRest sp. z o.o., and AmRest Holding SE the amendment to "Strategic Development Agreement" was signed partially amending "Development Agreement" and a franchise agreement was signed with AmRest Sp. z o.o., concerning opening and running Burger King restaurants in Poland in 2013-2015 years.

On May 25, 2007, the Group signed agreements with Starbucks Coffee International, Inc. ("Starbucks") relating to the development of Starbucks cafés in Poland, Czech and Hungary. The agreement covers a period to May 31, 2022 and provides for an option to extend it for another 5 years, after specific terms and conditions have been met.

The Parties established three separate companies in each of the 3 countries: Poland, the Czech and Hungary. On March 27, 2007, a new company was established in Poland – AmRest Coffee Sp. z o.o. The Czech AmRest Coffee s.r.o. was established on August 14, 2007, and the Hungarian AmRest Kávézó Kft on August 31, 2007. These companies are the only entities authorized to develop and run Starbucks cafés in Poland, the Czech and Hungary, without exclusivity rights to some of the institutional locations.

The Group took up 82%, and Starbucks 18% of the share capital in the newly established companies. In the ninth year Starbucks will have an unconditional option to increase its shares to a maximum of 50%. In the event of a disputed take-over or change of control over the Company and/or its shareholders, Starbucks will be entitled to increase its share to 100% by purchasing shares from the Group. According to Company's Management assessment as at the day of this financial statement issuance, there are no material indicators making options mentioned above realizable.

The Group will be obliged to develop and run Starbucks cafés in accordance with the development plan which stipulates the minimum number of cafés to be opened each year in the period of the agreements being in force. Should the Group not discharge the duties following from the development plan, Starbucks will be entitled to charge it contractual penalty or terminate the agreements. The Agreements also include provisions relating to deliveries of coffee and other basic raw materials from Starbucks or other approved or determined suppliers.

As at June 24, 2015 Group operations of Starbucks in Romania and Bulgaria have started after 100% share acquisition of sole operators on those markets.

On September 29, 2015 AmRest Group entities confirmed in writting with Starbucks EMEA Ltd opening obligations in years 2015 – 2020 for 5 markets: Poland, Czech Republic, Hungary, Romania and Bulgaria.

On January 22, 2016 an area development and operation agreement and supply agreement was signed by AmRest Group regarding the rights and license to develop, own and operate Starbucks stores in Slovakia.

On May 23, 2016 operations of Starbucks in Germany have started after 100% share acquisition of one of operators on this market.

Group is running proprietary brands from La Tagliatella group since April 28th, 2011, when controlling interests of Spanish AmRestTAG S.L. were acquired, and Blue Frog and KABB since December 21, 2012, when Group acquired controlling interests in Blue Horizon Hospitality PTE Ltd. Group

La Tagliatella proprietary brands are run as equity stores mostly on Spanish market and heavily developed new markets, additionally in Spain are present franchise activities together with well developed supply chain managements processes. In franchise activity, entities within Spanish Group are signing agreements with third parties to run restaurant under proprietary brand of AmRest, according to agreement terms, they are expected to follow set standards, use common supply chain and pay agreed intital fee and monthly franchise fee and percentage of net sales based on the restaurant's agreement. This agreeemnts are long term with restricted terms of notice. La Tagliatella restaurants are places with unique décor, serving Italian food, based on fresh, high quality and original ingridients, served in fast casual form.

Proprietary brands of Blue Frog and KABB are only located within China. In modern interriors are served dishes from contemporary western quisine meeting high demand from mid and upper class. KABB brand is perceived as premium one with high quality of service and food offered.

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

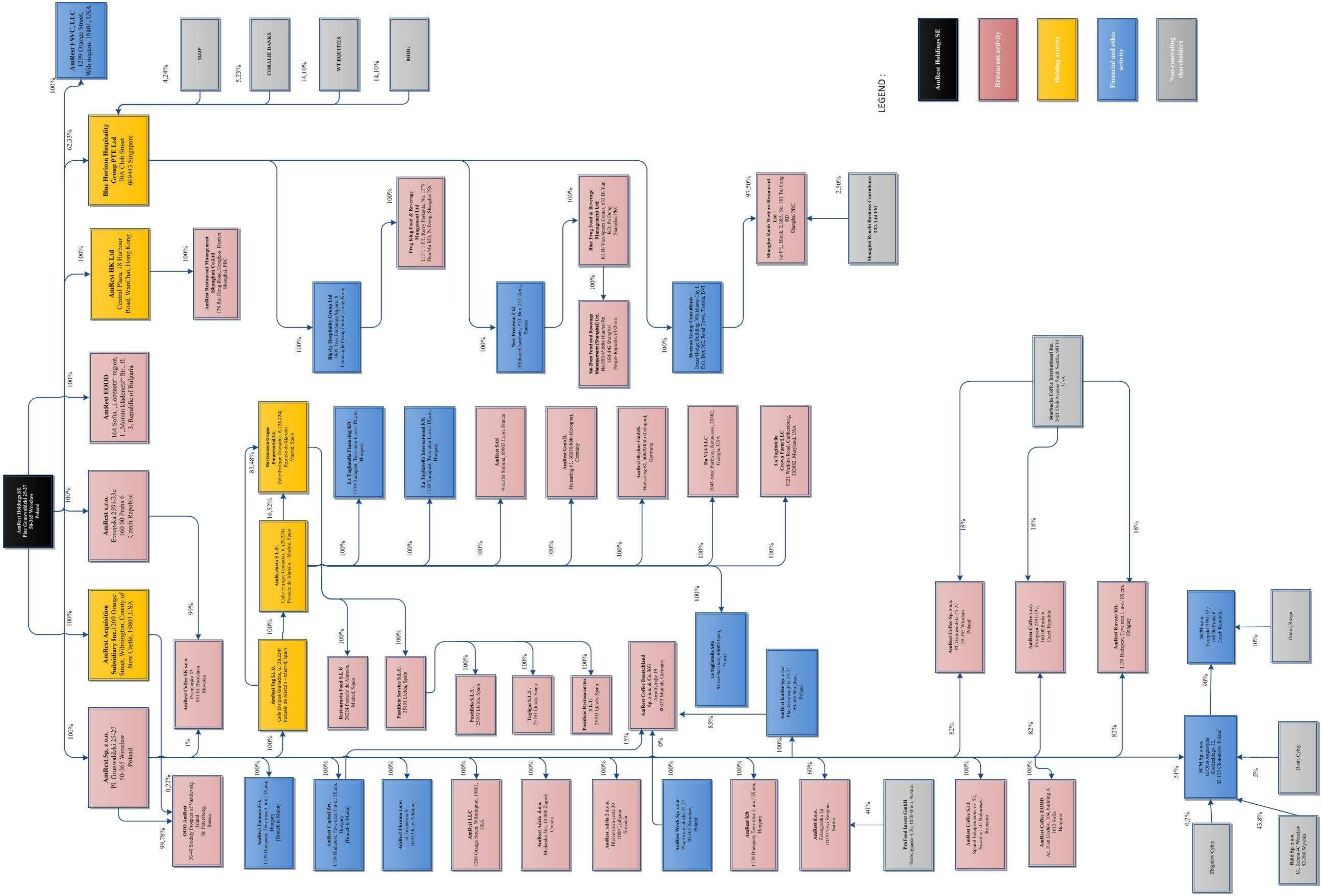
As at June 30, 2016 , the Group comprised the following subsidiaries:

Company name	Seat	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Inc.	Wilmington, USA	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.U	Madrid, Spain	AmRest Sp. z o.o.	100.00%	March 2011
AmRestavia S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
Restauravia Grupo Empresarial S.L.	Madrid, Spain	AmRestavia S.L.U. AmRest TAG S.L.U.	16.52% 83.48%	April 2011
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	100.00%	September 2011
Blue Horizon Hospitality Group PTE Ltd	Singapore, China	AmRest Holdings SE WT Equities BHHG MJJP Coralie Danks	62.33% 14.10% 14.10% 4.24% 5.23%	December 2012
Bigsky Hospitality Group Ltd	Hong Kong, Chiny	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
New Precision Ltd	Apia, Samoa	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
Horizon Group Consultants (BVI)	Road Town, Tortola, BVI	Blue Horizon Hospitality Group PTE Ltd	100.00%	December 2012
		Restaurant activity		
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czech	AmRest Holdings SE	100.00%	December 2000
AmRest Kft	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	June 2006
AmRest Coffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	March 2007
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Petersburg, Russia	AmRest Acquisition Subsidiary Inc. AmRest Sp. z o.o.	0.88% 99.12%	July 2007
AmRest Coffee s.r.o.	Prague, Czech	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o. Starbucks Coffee International, Inc.	82.00% 18.00%	August 2007
AmRest d.o.o.	Belgrad, Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00% 40.00%	October 2007
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
Da Via, LLC*	Kennesaw, USA	AmRestavia S.L.U.	100.00%	June 2013
La Tagliatella - Crown Farm, LLC**	Gaithersburg, USA	AmRestavia S.L.U.	100.00%	June 2013
Restauravia Food S.L.U.	Madrid, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Service S.L.U.	Lleida, Spain	Restauravia Grupo Empresarial S.L.	100.00%	April 2011
Pastificio Restaurantes S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
Tagligat S.L.U.***	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
Pastificio S.L.U.	Lleida, Spain	Pastificio Service S.L.U.	100.00%	April 2011
AmRest Restaurant Management Co. Ltd	Shanghai, China	AmRest HK Ltd	100.00%	November 2012
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

Company name	**Seat**	**Parent/non-controlling undertaking**	**Owner-ship interest and total vote**	**Date of effective control**
AmRest GmbH	Cologne, Germany	AmRestavia S.L.U.	100.00%	March 2012
AmRest SAS	Lyon, France	AmRestavia S.L.U.	100.00%	April 2012
AmRest Adria 2 d.o.o.	Ljubljana, Slovenia	AmRest Sp. z o.o	100.00%	August 2012
Frog King Food&Beverage Management Ltd	Szanghai, China	Bigsky Hospitality Group Ltd	100.00%	December 2012
Blue Frog Food&Beverage Management Ltd	Szanghai, China	New Precision Ltd	100.00%	December 2012
Shanghai Kabb Western Restaurant Ltd	Szanghai, China	Horizon Group Consultants (BVI)	97.50%	December 2012
		Shanghai Renzi Business Consultancy Co. Ltd	2.50%	
AmRest Skyline GMBH	Cologne,Germany	AmRestavia S.L.U.	100.00%	October 2013
Kai Zhen Food and Beverage Management (Shanghai) Ltd.	Shanghai, China	BlueFrog Food&Beverage Management Ltd	100.00%	March 2014
AmRest Cofee EOOD	Sofia, Bulgaria	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Cofee S.r.l.	Bucharest, Romania	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Coffee SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o.	99.00%	December 2015
		AmRest Sp. z o.o.	1.00%	
AmRest Coffee Deutschland Sp. z o.o. & Co. KG	Munich, Germany	AmRest Kaffee Sp. z o.o.	85.00%	May 2016
		AmRest Capital Zrt	15.00%	
Financial services for the Group				
AmRest Capital Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
AmRest Finance Zrt	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	November 2011
La Tagliatella International Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella Financing Kft	Budapest, Hungary	AmRestavia S.L.U.	100.00%	November 2012
La Tagliatella SAS	Lyon, France	AmRestavia S.L.U.	100.00%	March 2014
AmRest FSVC LLC	Delaware, USA	AmRest Holdings SE	100.00%	November 2014
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o	100.00%	March 2012
AmRest Kaffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2016
Supply services for restaurants operated by the Group				
SCM Sp. z o.o.	Chotomow, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		R&d Sp. z o.o.	43.80%	
		Beata Cylny	5.00%	
		Zbigniew Cylny	0.20%	
Lack of business activity				
AmRest Ukraina t.o.w.****	Kiev, Ukraine	AmRest Sp. z o.o.	100.00%	December 2005

* As at May 23, 2016 it was agreed to liquidate Da Via LLC.
** As at July 11, 2016 La Tagliatella - Crown Farm, LLC was terminated.
*** As at February 22, 2016 it was agreed to merge Tagligat S.L.U. with Pastificio Service S.L.U.
**** As at August 9, 2016 Amrest Ukraina t.o.w. was sold.



Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

As at June 30, 2016 the Group possesses the following associated entities included in the financial statements under the equity method:

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

The Group's office is in Wroclaw, Poland. On June 30, 2016 the restaurants operated by the Group were located in Poland, Czech, Hungary, Slovakia, Russia, Bulgaria, Romania, Serbia, Croatia, Spain, Germany, France and China.

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

These Interim Condensed Consolidated Financial Statements as at and for the 6 months ended June 30, 2016 have been prepared in accordance with the IAS 34 Interim Financial Reporting.

These Interim Condensed Consolidated Financial Statements do not include all information or disclosures which are required in the annual financial statements and they should be read together with the annual Consolidated Financial Statements of the Group as at December 31, 2015.

Accounting policies on which bases the interim condensed consolidated financial statement prepared for the 6 months ended June 30, 2016 and consolidated financial statement for the year ended December 31, 2015 are consistent, except standards, changes in standards and interpretations which are mandatory for reporting periods beginning after January 1, 2016.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2016:

a. Defined Benefit Plans: Employee Contributions - Amendments to IAS 19

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

b. Amendments to IFRS 2010-2012

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

c. Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41

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

d. Amendments to IFRS 11 on the purchase of a share in a common activity

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

e. Amendments to IAS 16 and IAS 38 concerning Depreciation

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

f. Amendments to IFRS 2012-2014

International Accounting Standards Board published in September 2014 "Improvements to IFRSs 2012-2014" , that change four standards: IFRS 5, IFRS 7, IAS 19 and IAS 34.

g. Amendments to IAS 1

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

h. Amendments to IAS 27 concerning the equity method in the separate financial statements

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

Before the issuance date of this financial statements were published by IASB numerous standards and interpretations, which have not entered into force, but some of them were approved for use by European Commission. The Group did not decide to for early adoption of any of these standards.

c) Form of presentation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements are presented in Polish zloty (PLN), rounded up/down to full thousands.

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

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

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

The accounting policies described above have been applied consistently in all the financial years covered by the interim condensed consolidated financial statements, except for those instances were changes were made in connection to new standards and interpretations were applied. These policies have been applied consistently by all the entities constituting the Group.

d) Going concern assumption

Information presented below should be read together with information provided in note 15 loans and borrowings.

Interim condensed consolidated financial statements for the period of 6 months ended June 30, 2016 were prepared in accordance with going concern assumption by the Group in foreseeable future, what assumes realization of assets and liabilities throughout the normal terms of Group business operations. As at the date of interim condensed consolidated financial statement issuance in assessment made by Group Parent Entity there are no circumstances indicating threats for Group business going concern.

As it was described in note 15 "borrowings" financial liabilities resulting from loan agreement signed September 10, 2013 between AmRest Holdings SE, AmRest Sp. z o.o. and AmRest s.r.o. and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Rabobank Polska S.A. (currently BGŻ BNP Paribas S.A.) and ING Bank Śląski Polska S.A. Based on this agreement capital repayments fall due beginning in September 2016. Management of Group Parent Entity had analyzed cash-flows for 12 months since balance sheet date of June 30, 2016 and available financing scenarios. In note 21 the Management presents analysis of liabilities repayment.

e) Seasonal fluctuations in production and sales

The seasonal fluctuations in sales and inventory of the Group are not significant which is characteristic for the entire restaurant industry.

The lowest sales are recorded in the first quarter of the year, which is attributable primarily to fewer operating days in February and fewer people dining out. The next quarter in terms of sales is the second quarter, in which the restaurants achieve better results thanks to improving weather and a positive effect of the beginning of the holiday season in June. The highest sales are achieved at the end of the third and at the beginning of the fourth quarter. Very good performance in the third quarter is attributable to the increased tourist traffic. Autumn is traditionally a season when people tend to dine out more frequently, which translates into higher sales. An important time in the last three months of the year is the pre-Christmas period, when particularly high sales are reported by the restaurants situated in shopping malls.

f) Unusual events affecting the operating activities

During the reporting period no other significant unusual events have been identified.

g) Issuances, repurchases and repayments of debts and equity securities

Apart from transactions described in notes 14 and 15, during the reporting period no issuances, repurchases and repayments of debt and equity securities have been identified.

h) Dividends paid and received.

In the period covered by this Interim Condensed Consolidated Financial Statements Group has not paid or received a dividend from non-controlling interest owner of SCM s.r.o.

i) Changes in future and contigent liabilities

As in the previous reporting period, the Company's future liabilities follow on from the Franchise Agreements and Development Agreement.

Restaurants are operated in accordance with franchise agreements with YUM! and its subsidiaries and Starbucks Coffee International , Inc and Burger King Europe GmbH.

These franchise agreements typically require that the Group pays an initial non-refundable fee upon the opening of each new restaurant, continuing fees of 6% of revenues and commits 5% of revenue to advertising as specified in the relevant agreements. In addition, after completion of the initial contract period, the Group may renew the franchise agreement, which is a subject to a renewal fee.

Initial non-refundable fees constitute in substance rights to use Pizza Hut and KFC trademarks and are classified as intangible asset and amortized over the period of the franchise agreement (usually 10 years). Other fees are recognized in the profit and loss account when incurred. Renewal fees are amortized over the renewal period when a renewal agreement comes into force.

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

The initial fees paid are approximately USD 48.800 per restaurant and renewal fees are 50% of the initial fees, adjusted to reflect changes in the US Consumer Price Index during the term of the relevant franchise.

The most significant conditions relating to franchise agreements to be concluded with Burger King Section are as follows:

- The license is granted for 10 years from the date on which the restaurant starts operating. Franchisee has the right to extend the contract for a further period of 10 years after the completion of certain conditions. The franchisee is entitled to extend the agreement for a further 10 years after meeting specified terms and conditions.This conditions were described in initial development agreement with AmRest Sp. z o.o. For restaurants opened in Poland after March 1, 2009 the license was overlong from 10 to 20 years without option of prolongation for next 10 years.
- Franchisee will pay to the franchisor monthly continuing franchise fees of 5% of the sales revenue of the Burger King restaurant run by the franchisee.
- The Franchisee will pay to the Franchiser a monthly fee for sales advertising and promotion of 5% of the sales revenue of the Burger King restaurants operated by the Franchisee.

The key fees and costs to be incurred by the Group relating to agreements with Starbucks Coffee International, Inc. Section (a) are as follows:

- The fee for development and the fee for providing services of USD 950 thousand, relating to the preliminary operating support (settled from other assets into general and admin expenses of Starbucks subsidiaries).
- The preliminary franchise fee of USD 25 thousand per each opened Starbucks café (capitalized as intangible asset and amortized during the franchise agreement period).
- A fixed licence fee equal to 6% of sales revenues of each of the Starbucks cafés (added to the income statement when it incurred in category continuing franchise fees).
- The local marketing fee the amount of which will be determined annually between the parties to the agreements (added to the income statement when it incurred in category direct marketing costs).

As a consequence of hawing proprietary brands, which are also subject of franchise activity with third parties Group is applying following accounting principles:

- Generally the franchise agreement covers a 10 year period and provides an option of extension for another 10 (for agreements signed after 2006) or 5 years (for agreements signed before 2006). Some franchise agreements were signed for the period from 9 to 20 years.
- Revenues of the Group consist of sales by Company operated restaurants and fees from franchisees and license are recognized when payment is rendered at the time of sale.
- Fees for using own brand paid by franchisees to the Group as a 6% from the sales (continued fees) are recognized as earned.
- Intangible assets, covering relationships with franchise clients, recognized during the acquisition process are amortized within the average period of the contractual relationship with franchise clients.
- Own brands systematically as at the purchase date are analysed from the point of depreciation and amortisation periods. Currently:
  - La Tagliatella brand is treated as not amortized asset due to indefinite useful life,
  - Blue Frog brand is treated as amortized asset in 20-year period.

j) Earnings per share

The basic and diluted earnings per ordinary share for the 6-months period of 2016 and 2015 was calculated as follows:

	For the 6 months ended June 30, 2016	For the 6 months ended June 30, 2015

Net profit attributable to shareholders of the parent (*in thousands of PLN)*	76 019	52 977
Weighted average number of ordinary shares in issue (note 14)	21 213 893	21 213 893
Weighted average number of ordinary shares for diluted earnings per share	21 213 893	21 213 893
Basic earnings per ordinary share (PLN)	3.58	2.50
Diluted earnings per ordinary share (PLN)	3.58	2.50

As at December 1, 2014 year has expired AmRest Holdings S.E. Management Board right to issue new shares up to value of EUR 5 thousand as authorized capital (according to paragraph 4.1 of Company articles of association). Right was granted by shareholders AGM resolution number 13 on June 10, 2011 year. As at June 30, 2016 Company has no availability to issue new shares to settle employee option plans. Settlements of employee options plans are available through treasury stocks in a secondary market or in cash.

2. Segment reporting

AmRest as a Group of dynamic developing entities running operations at many markets and various restaurant business segments is under constant analysis of Executive Committee. This Committee is also constantly reviewing the way how business is analysed and adjust it accordingly to changing Group Structure as a consequence of strategic decisions. Operating segments are set on the basis of management reports used by Executive Committee during making strategic decisions. Executive Committee verifies group performance while deciding of owned resources allocations in breakdown of AmRest Group for divisions.

Due to the acquisition of a company operating Starbucks coffeehouses in Germany and effect of Group management structure changes initialised on the turn of 2015 and 2016, Group has revised names and a way of reporting segment aggregation continuously based on geographical criterium. The approach is current valid solution for strategic analysis and capital allocation decision making process by Executive Committee. As for the balance sheet date Executivee Committee defines segments in presented below layout.

Segment	**Description**
Central and Eastern Europe (CEE)	Poland, Czech, Hungary, Bulgaria, Croatia, Romania, Slovakia and Serbia.
Western Europe	KFC and La Tagliatella restaurant operations in Spain, France and Germany, together with suplly chain and franchise activity in Spain. Starbucks operation in Germany.
China	Blue Frog and KABB restaurants in China.
Russia	KFC and Pizza Hut activity in Russia.
Unallocated	Consolidation adjustments, asset and liability balances non-allocated to segments (covering borrowings and lease liabilities) and transactions of SCM sp. z o.o., AmRest Holdings SE and subsidiary located in the Ukraine and following companies AmRest Capital Zrt, AmRest Finance Zrt and AmRest Finance S.L. and financial costs and incomes, share profit of associates, income tax, net income from continued operation, total net income.

The data relating to operating segments for the 6 months ended June 30, 2016 and for the comparative period ended June 30, 2015 are presented below (comparable period for balance sheet data is December 31, 2015).

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

for the 6 months ended June 30, 2016	**CEE**	**Western Europe**	**Russia**	**China**	**Unallo-cated**	**Total**
Revenue from external customers	1 040 233	458 205	205 058	110 333	21 447	1 835 276
Inter-segment revenue	-	-	-	-	-	-
Operating profit/ (loss)	77 614	42 709	6 788	(5 814)	(11 356)	109 941
Finance income	-	-	-	-	1 071	1 071
Finance costs	-	-	-	-	(21 597)	(21 597)
Share of profit of associates	-	-	-	-	(11)	(11)
Income tax	-	-	-	-	(14 242)	(14 242)
Deferred tax assets	32 835	13 090	-	931	7 542	54 398
Profit for the period	-	-	-	-	75 162	75 162
Segment assets	1 066 742	1 536 767	314 188	202 642	117 226	3 237 565
Investments in associates	-	-	-	-	818	818
Total assets	1 066 742	1 536 767	314 188	202 642	118 044	3 238 383
Goodwill	35 410	543 505	87 391	93 710	911	760 927
Segment liabilities	247 158	175 685	31 285	32 237	1 491 172	1 977 537
Pension, health care, sickness fund state contributions	45 702	27 282	9 534	8 798	7 037	98 353
Depreciation	66 002	23 376	12 572	8 451	379	110 780
Amortization	8 835	5 263	656	602	140	15 496
Capital investment	91 306	129 820	30 164	9 154	4 135	264 579
Impairment of fixed assets (note 6,8)	1 151	2 729	2 795	1 159	-	7 834
Impairment of trade receivables (note 11)	(645)	-	(205)	-	(392)	(1 242)
Impairment of inventories (note 10)	-	36	-	-	-	36
Impairment of other assets	320	-	-	-	-	320

for the 6 months ended June 30, 2015 (balance sheet data as at December 31, 2015)	**CEE**	**Western Europe**	**Russia**	**China**	**Unallo-cated**	**Total**
Revenue from external customers	895 951	343 289	203 516	100 127	16 792	1 559 675
Inter-segment revenue	-	-	-	-	-	-
Operating profit/ (loss)	63 638	31 520	11 818	(1 849)	(16 201)	88 926
Finance costs	-	-	-	-	3 193	3 193
Finance income	-	-	-	-	(21 638)	(21 638)
Share of profit of associates	-	-	-	-	95	95
Income tax	-	-	-	-	(17 522)	(17 522)
Deferred tax assets	23 521	2 100	-	-	7 731	33 352
Profit for the period	-	-	-	-	53 054	53 054
Segment assets	1 118 812	1 205 213	245 451	208 819	70 001	2 848 296
Investments in associates	-	-	-	-	828	828
Total assets	1 118 812	1 205 213	245 451	208 819	70 829	2 849 124
Goodwill	31 956	381 752	74 423	94 049	911	583 091
Segment liabilities	320 264	106 738	20 109	35 050	1 262 889	1 745 050
Pension, health care, sickness fund state contributions	37 348	16 249	10 204	7 804	2 408	74 013
Depreciation	56 585	18 849	12 455	5 916	243	94 048
Amortization	4 205	5 522	590	561	95	10 973
Capital investment	65 696	17 195	14 982	9 746	496	108 115
Impairment of fixed assets (note 6,8)	(666)	4 122	(399)	-	-	3 057
Impairment of trade receivables (note 11)	317	-	(6)	-	20	331
Impairment of inventories (note 10)	(15)	1	-	66	-	52
Impairment of other assets	-	370	-	230	-	600

Capital expenditure comprises increases and acqusitions in property, plant and equipment (note 6), intangible assets (note 8) with adjustment of a change in investment liabilities.

Value of assets and liabilities and results of given reporting segments have been established on the basis of Group accounting policies, compliant with policies applied for preparation of this financial statements.

Goodwill was allocated to given countries markets within reporting segments.

Business combinations

Entrance into Romania restaurant market and strengthening Bulgaria presence – acquisition of Starbucks operators

DESCRIPTION OF THE ACQUISITION

As at June 24, 2015 Group has acquired by AmRest sp. z o.o. from Marinopoulos Coffee SEE B.V. 100% shares in both S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Cofee S.r.l.) and Marinopoulos Coffee Company Bulgaria EOOD (currently AmRest Cofee EOOD) for PLN 67.168 thousands (EUR 16.4 million). Transaction was based on agreement signed as at March 4, 2015.

AmRest Coffee S.r.l. and AmRest Cofee EOOD are the only Starbucks operators on Romania and Bulgaria teritories owing at acquisition date 18 and 5 cofeeshops accordingly.

As a result of the transaction mentioned above the Group has strengthened its presence on Central European market and accelerated development of the Starbucks brand. Entrance into Romanian market, being the second in the Central Europe, with brand in which operations Group is experienced, echoes strategic directions. Expansion of existing business in Bulgaria facilitates expectations of economies of scale, improvements, offer enhancement and optimizations.

ALLOCATION OF THE ACQUISITION PRICE

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

S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.)	**Carrying amount**	**Adjustment of fair value and other adjustments**	**Fair value**
Cash and cash equivalents	2 713	-	2 713
Property, plant and equipment	11 708	102	11 810
Other intangible assets	1 359	-	1 359
Other intangible assets - exclusivity right of Starbucks brand operator	-	49 412	49 412
Other non-current assets	1 311	-	1 311
Inventories	2 603	(790)	1 813
Trade and other receivables	854	(160)	694
Loans granted	6 054	-	6 054
Other current assets	1 657	(647)	1 010
Deferred tax assets	-	(7 768)	(7 768)
Provisions	-	(5 412)	(5 412)
Trade and other payables	(14 985)	(1 929)	(16 914)
Corporate income tax liabilities	-	(112)	(112)
Net assets acquired	13 274	32 696	45 970

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.)	**Carrying amount**	**Adjustment of fair value and other adjustments**	**Fair value**
Amount paid in cash			67 164
Purchase price adjustment			(9 557)
Total payment for acquisition			57 607
The fair value of net assets			45 970
Goodwill			11 637
Amount paid in cash			(67 164)
Acquired cash and cash equivalents			2 713
Cash outflows on acquisition			(64 451)

Marinopoulos Coffee Company Bulgaria EOOD (currently AmRest Cofee EOOD)	**Carrying amount**	**Adjustment of fair value and other adjustments**	**Fair value**
Cash and cash equivalents	430	-	430
Property, plant and equipment	1 114	-	1 114
Other intangible assets	274	-	274
Other intangible assets - exclusivity right of Starbucks brand operator	-	1 260	1 260
Other non-current assets	38	-	38
Inventories	606	-	606
Trade and other receivables	372	-	372
Other current assets	1	-	1
Loans and borrowings	(6 054)	-	(6 054)
Trade and other payables	(2 810)	-	(2 810)
Net assets acquired	(6 029)	1 260	(4 769)
Amount paid in cash			4
Purchase price adjustment			(4 773)
Total payment for acquisition			(4 769)
The fair value of net assets			(4 769)
Goodwill			-
Amount paid in cash			(4)
Acquired cash and cash equivalents			430
Cash outflows on acquisition			(426)

The process of purchase price allocation to the acquired assets and liabilities has been completed.

Fair value adjustment characteristics are following:

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

	Title	Methods/key assumptions
Other intangible assets	Identification of exclusivity right of Starbucks brand operator in Romania and Bulgaria	Independent valuation based on MEEM method (accordingly for Romania and Bulgaria: significance of exclusivity right 46.7% and 22.4%; WACC 12.4% and 8.6%)
Property plant and equipment, current assets	Impairment provision on irrecoverable assets	Asset count
Provisions	Potential long term tax exposures from previous periods	Management estimate - based on due dilligence report
Trade and other payables	Liabilities recognition	Assessment and review of liabilities recognition
Deferred tax liability	Deferred tax on net assets fair value	16 % income tax rate

The fair value and the other adjustments presented in the table above relate mainly to:

- fair value measurement of intangible assets;
- fair value measurement of tangible assets;
- fair value measurement of provisions and trade and other payables;
- fair value measurement of deferred tax liability.

Fair value adjustments resulted from independent appraisal prepared in order to apply acquisition method to the aforementioned transaction.

Goodwill was calculated on the basis of the fair value of acquired net assets and refers mainly to benefits from access to Romanian coffeshop market clients, experienced management team and opportunity to develop other business concepts on Romania market.

IMPORTANT TERMS OF ACQUISITION AGREEMENT

All purchase price adjustments result from specific arrangements with the seller according to the Agreement. Agreement on 100% share acquisition in S.C. Marinopoulos Coffee Company III S.r.l. (currently AmRest Coffee S.r.l.) and Marinopoulos Coffee Company Bulgaria EOOD (currently AmRest Coffee EOOD) required opening of escrow account for 18 months after transaction execution date. The escrow account covered part of the acquisition price in value of PLN 13.642 thousands (EUR 3.3 million) and was provided for settling of potential adjustments resulting from certain events after acquisition but caused before that.

In result of exercise the terms of acquisition agreement, on February 26, 2016 the Group received total amount from the escrow account, which confirms relevance of including asset from price adjustment in the settlement. Therefore the Group adjusted acquisition price in the consolidated financial statements for the year ended December 31, 2015.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT

As the acquisition of Marinopoulos Coffee Company Bulgaria EOOD (presently AmRest Coffee EOOD) and S.C. Marinopoulos Coffee Company III S.r.l. (presently AmRest Coffee S.r.l.) occurred in last days of June 2015, the results of acquired assets for the first six months of 2015 have not been reported in the financial statements. If described above acquisition would have happened as at January 1, 2015 estimated consolidated revenues for the 6 months ended June 30, 2016 r would grew by PLN 25.726 thousand and net profit would grew by PLN 1.759 thousand. In period for the 6 months ended June 30, 2015 the cost of PLN 720 thousand related to the transaction has been recognized as general and administrative expense.

Entrance into German restaurant market – acquisition of Starbucks operators

DESCRIPTION OF THE ACQUISITION

As at April 19, 2016 Group has acquired 100% shares in Starbucks Coffee Deutschland Ltd & Co. KG from companies of Starbucks Corporation Group. The take-over of control, based on agreement, began from May 23, 2016. The purchase price amounted to EUR 40 million (PLN 177.454 thousands) and was adjusted by EUR 1.5 million (PLN 6 997 thousands).

As part of this transaction Area Development and Operation Agreement and Supply Agreement were signed regarding the rights and license to develop, own and operate Starbucks stores in Germany for the period of 15 years that can be extended for 5 years.

As a result of the transaction mentioned above the Group has strengthened its presence on the market and accelerated development of the Starbucks brand.

PRELIMINARY ALLOCATION OF THE ACQUISITION PRICE

Details of the temporary (due to the short period between acquisition date and date of preparation of financial statement and ongoing process of fair value valuation concerned acquired assets and liabilities) fair value of the acquired net assets, goodwill and acquisition price as at the acquisition date are presented below (PLN thousands):

StarbucksCoffee Deutschland Ltd.& Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG)	**Carrying amount**	**Adjustment of fair value and other adjustments**	**Fair value**
Cash and cash equivalents	29 304	-	29 304
Property, plant and equipment	103 899	(29 877)	74 022
Other intangible assets	-	15 227	15 227
Other non-current assets	186	(186)	-
Inventories	6 029	-	6 029
Trade and other receivables	3 424	(829)	2 595
Other current assets	10 506	(545)	9 961
Deferred tax assets	-	4 844	4 844
Provisions	(9 794)	-	(9 794)
Trade and other payables	(95 430)	504	(94 926)
Net assets acquired	48 124	(10 862)	37 262
Amount paid in cash			177 454
Purchase price adjustment			6 997
Total payment for acquisition			184 451
The fair value of net assets			37 262
Goodwill			147 189
Amount paid in cash			184 451
Acquired cash and cash equivalents			29 304
Cash outflows on acquisition			155 147

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

Fair value adjustment characteristics are following:

	Title	Methods/key assumptions
Other intangible assets	Identification of exclusivity right of Starbucks brand operator in Germany. Valuation of customer base from loyalty program.	Independent DCF valuation.
Property plant and equipment,	Valaution of property, plant and equipment together with impairment provision.	Independent valuation on Depreciated replacement / reproduction cost with DCF based impairment tests.
Other non-current assets, Trade and other receivables, Other current assets, Trade and other payables	Other adjsutments related to book values adjustment to accounting policies of the Group and IFRS	Indepndent valuation and review of underlying book values
Deferred tax asset and liability	Deferred tax on net assets fair value	30 % income tax rate

The fair value and the other adjustments presented in the table above relate mainly to:

- fair value measurement of intangible assets;
- fair value measurement of tangible assets;
- fair value measurement of other non-current assets, trade and other receivables, other current assets, trade and other payables
- fair value measurement of deferred tax asset and liability.

Fair value adjustments resulted from independent appraisal prepared in order to apply acquisition method to the aforementioned transaction.

Goodwill was calculated on the basis of the fair value of acquired net assets and refers mainly to benefits from access to Germany coffeshop market clients, experienced management team and opportunity to develop other business concepts on Germany market.

Goodwill was recognized on the settlement of the acquisition consists largely of unidentified separately synergies untapped market potential and opportunities offered by the economies of scale expected by combining the current activities of the Group Amrest and acquired business.

INFLUENCE OF THE ACQUISITION ON THE CONSOLIDATED INCOME STATEMENT

As the acquisition of StarbucksCoffee Deutschland Ltd.& Co. KG (currently AmRest Coffee Deutschland Sp. z o.o. & Co. KG) occurred in last days of May 2016, the results of acquired assets for the first five months of 2016 have not been reported in the financial statements. If described above acquisition would have happened as at January 1, 2016 estimated consolidated revenues for the 6 months ended June 30, 2016 would grew by PLN 216.215 thousand and net profit would be decreased by PLN 33.706 thousand. Non-audited internal reporting packages prepared according to US GAAP constituted the source of data. In the period for the 6 months ended June 30, 2016 the cost of PLN 2.168 thousand related to the transaction has been recognized as general and administrative expense.

3. Finance income

	For the 6 months ended June 30, 2016	For the 6 months ended June 30, 2015
Income from bank interests	1 071	1 694
Net foreign exchange gains	-	1 374
Other	-	125
	1 071	**3 193**

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

4. Finance costs

	For the 6 months ended June 30, 2016	For the 6 months ended June 30, 2015
Interest expense	(17 903)	(18 630)
Net foreign exchange losses	(662)	-
Other	(3 032)	(3 008)
	(21 597)	**(21 638)**

5. Income tax expenses

	For the 6 months ended June 30, 2016	For the 6 months ended June 30, 2015
Current tax	(4 458)	(18 198)
Total change in deferred tax assets/liabilities	1 278	(1 193)
Change in assets and liabilities due to deferred tax recognized in acquisition note	(4 844)	47
Change in assets and liabilities due to deferred tax recognized in equity	(6 218)	1 822
Deferred tax recognized in the income statement	**(14 242)**	**(17 522)**

	30.06.2016	31.12.2015
Deferred tax asset		
Opening balance	33 352	28 434
Closing balance	54 398	32 266
Deferred tax liability		
Opening balance	90 492	103 591
Closing balance	110 260	108 616
Change in deferred tax assets/liabilities	**1 278**	**(1 193)**
Of which		
Deferred income tax recognized in income statement	(9 784)	676
Deferred income tax regarding titles directly reported in equity	6 218	(1 822)
Deferred income tax regarding titles directly reported in acquisition note	4 844	(47)

As at June 30, 2016 and June 30, 2015 balance of deferred tax liability was mostly caused by tax effect of temporary differences on property, plant and equipment and intangible assets.

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

As at July 28, 2016 has began the fiscal control on tax returns for the tax control concerned VAT repayment for 2014 in Amrest Sp. z o.o. The control has not been finalised until the date of preparation of interim financial statements.

Management believes that above proceedings will settle in a manner materially irrelevant for the Group except for the value of provisions.

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

6. Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in first half of 2016 and 2015:

2016	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at 01.01.2016	20 074	1 255 836	670 006	6 129	119 945	57 068	**2 129 058**
Acquisition	-	48 928	24 186	-	908	-	**74 022**
Additions	-	59 963	41 346	1 294	12 052	44 279	**158 934**
Disposals	-	(15 371)	(17 220)	(171)	(1 250)	(1 826)	**(35 838)**
Foreign exchange differences	1 881	39 846	20 961	15	3 490	2 232	**68 425**
As at 30.06.2016	21 955	1 389 202	739 279	7 267	135 145	101 753	**2 394 601**
Accumulated depreciation							
As at 01.01.2016	-	525 176	351 889	2 302	56 469	-	**935 836**
Additions	-	57 505	41 392	660	11 223	-	**110 780**
Disposals	-	(2 448)	(4 128)	(26)	(1 167)	-	**(7 769)**
Foreign exchange differences	-	15 164	12 503	14	1 288	-	**28 969**
As at 30.06.2016	-	595 397	401 656	2 950	67 813	-	**1 067 816**
Impairment write-downs							
As at 01.01.2016	-	95 021	29 417	-	3 533	5 232	**133 203**
Additions	-	6 582	732	-	168	-	**7 482**
Disposals	-	(12 335)	(10 101)	-	-	(1 822)	**(24 258)**
Foreign exchange differences	-	4 629	1 690	-	146	372	**6 837**
As at 30.06.2016	-	93 897	21 738	-	3 847	3 782	**123 264**
Net book value as at 01.01.2016	**20 074**	**635 639**	**288 700**	**3 827**	**59 943**	**51 836**	**1 060 019**
Net book value as at 30.06.2016	**21 955**	**699 908**	**315 885**	**4 317**	**63 485**	**97 971**	**1 203 521**

2015	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	**Total**
Gross value							
As at 01.01.2015	21 414	1 123 225	606 464	3 939	97 869	68 514	**1 921 425**
Acquisition	-	5 859	2 626	-	3 983	-	**12 468**
Additions	-	44 323	26 329	1 321	7 304	5 255	**84 532**
Disposals	-	(7 680)	(8 585)	(456)	(1 520)	-	**(18 241)**

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

Foreign exchange differences	1 302	14 493	8 496	(4)	356	1 194	**25 837**
As at 30.06.2015	22 716	1 180 220	635 330	4 800	107 992	74 963	**2 026 021**
Accumulated depreciation							
As at 01.01.2015	-	441 710	299 403	1 621	43 114	-	**785 848**
Additions	-	49 299	35 436	460	8 853	-	**94 048**
Disposals	-	(6 526)	(7 726)	(329)	(1 344)	-	**(15 925)**
Foreign exchange differences	-	3 380	2 907	(18)	30	-	**6 299**
As at 30.06.2015	-	487 863	330 020	1 734	50 653	-	**870 270**
Impairment write-downs							
As at 01.01.2015	-	86 538	26 961	-	2 226	3 523	**119 248**
Additions	-	1 234	-	-	1 354	469	**3 057**
Disposals	-	(1 256)	(34)	-	(2)	(38)	**(1 330)**
Foreign exchange differences	-	(754)	1 244	-	10	2 884	**3 384**
As at 30.06.2015	-	85 762	28 171	-	3 588	6 838	**124 359**
Net book value as at 01.01.2015	**21 414**	**594 977**	**280 100**	**2 318**	**52 529**	**64 991**	**1 016 329**
Net book value as at 30.06.2015	**22 716**	**606 595**	**277 139**	**3 066**	**53 751**	**68 125**	**1 031 392**

The depreciation was charged to the costs of restaurant operations – PLN 106.491 thousand (prior period: PLN 90.068 thousand), franchise expenses and other – PLN 2.004 thousand (prior period: PLN 1.738 thousand) and administrative expenses PLN 2.285 thousand (prior period: PLN 2.242 thousand).

Transfer are effects of final settlements of put in use assets, outcomes of asset counts, settlements of prepayments and advances for assets.

7. Goodwill

The table below presents changes in the value of goodwill:

	30.06.2016	**31.12.2015**
Gross value		
At the beginning of the period	584 466	579 769
Acquisition (note 2)	149 459	9 367
Foreign exchange differences	28 496	(4 670)
At the end of the period	762 421	584 466
Impairment write-downs		
At the beginning of the period	1 375	1 447
Foreign exchange differences	119	(72)
At the end of the period	1 494	1 375
Net book value as at the beginning of the period	**583 091**	**578 322**
Net book value as at the end of the period	**760 927**	**583 091**

Acquisitions in previous years

Below table presents changes of goodwill in division of particular acquisitions as at June 30, 2016 and December 31, 2015.

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

	Acquisition date	**As at 01.01.2016**	Increases	Foreign exchange differences	**As at 30.06.2016**
miklik's food s.r.o.	May 2005	5 650	-	211	5 861
AmRest Kft (previously: Kentucky System Kft)	June 2006	16 868	-	490	17 358
OOO AmRest (previously: OOO Pizza Nord)	July 2007	58 120	-	10 127	68 247
9 restauracji RostiksKFC	April 2008	14 436	-	2 515	16 951
5 restauracji RostiksKFC	June 2008	1 867	-	325	2 192
SCM Sp.z o.o.	October 2008	911	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	381 751	-	14 691	396 442
Blue Horizon Hospitality PTE Ltd.	December 2012	94 049	-	(339)	93 710
AmRest Coffee EOOD	June 2015	-	-	-	-
AmRest Coffee S.r.l.	June 2015	9 439	2 270	483	12 192
AmRest Coffee Deutschland Sp. z o.o.& Co.KG	May 2016	-	147 189	(126)	147 063
		583 091	**149 459**	**28 377**	**760 927**

	Acquisition date	**As at 01.01.2015**	Increases	Foreign exchange differences	**As at 31.12.2015**
miklik's food s.r.o.	May 2005	5 506	-	144	5 650
AmRest Kft (dawniej: Kentucky System Kft)	June 2006	16 790	-	78	16 868
OOO AmRest (previously: OOO Pizza Nord)	July 2007	66 204	-	(8 084)	58 120
9 restauracji RostiksKFC	April 2008	16 514	-	(2 078)	14 436
5 restauracji RostiksKFC	June 2008	2 136	-	(269)	1 867
SCM Sp.z o.o.	October 2008	911	-	-	911
Restauravia Grupo Empresarial S.L.	April 2011	381 823	-	(72)	381 751
Blue Horizon Hospitality PTE Ltd.	December 2012	88 438	-	5 611	94 049
AmRest Coffee S.r.l.	June 2015	-	9 367	72	9 439
		578 322	**9 367**	**(4 598)**	**583 091**

8. Other intangible assets

The table below presents changes in the value of intangible assets in first half of 2016 and 2015:

2016	Proprietary brands	Favourable leases and licence agree-ments	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 01.01.2016	299 697	6 257	73 271	154 947	183 244	**717 416**
Acquisition	-	-	12 845	2 382	-	**15 227**
Additions	-	-	6 064	3 754	-	**9 818**
Decreases	-	-	(222)	(23)	-	**(245)**
Foreign exchange differences	11 023	(1 198)	232	6 339	7 052	**23 448**
As at 30.06.2016	310 720	5 059	92 190	167 399	190 296	**765 664**
Accumulated amortization						
As at 01.01.2016	3 711	5 261	35 592	60 260	35 632	**140 456**
Additions	680	-	2 863	8 024	3 929	**15 496**
Decreases	-	-	(191)	-	-	**(191)**
Foreign exchange differences	(235)	(202)	(234)	2 359	1 409	**3 097**

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

2016	Proprietary brands	Favourable leases and licence agree-ments	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees	**Total**
As at 30.06.2016	4 156	5 059	38 030	70 643	40 970	**158 858**
Impairment write-downs						
As at 01.01.2016	101	-	1 532	1 218	-	**2 851**
Additions	-	-	241	111	-	**352**
Decreases	-	-	(31)	-	-	**(31)**
Foreign exchange differences	-	-	(150)	417	-	**267**
As at 30.06.2016	101	-	1 592	1 746	-	**3 439**
Net value as at 01.01.2016	**295 885**	**996**	**36 147**	**93 469**	**147 612**	**574 109**
Net value as at 30.06.2016	**306 463**	**-**	**52 568**	**95 010**	**149 326**	**603 367**

2015	Proprietary brands	Favou-rable leases and licence agree-ments	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees	**Total**
Gross value						
As at 01.01.2015	298 441	6 260	64 926	95 754	183 278	**648 659**
Increases	-	-	1 627	6	-	**1 633**
Transfers	-	13	4 548	4 921	-	**9 482**
Decreases	-	-	(151)	(1 227)	-	**(1 378)**
Foreign exchange differences	(2 876)	(15)	911	(274)	(2 920)	**(5 174)**
As at 30.06.2015	295 565	6 258	71 861	99 180	180 358	**653 222**
Accumulated amortization						
As at 01.01.2015	2 253	4 193	31 158	49 183	28 000	**114 787**
Increases	560	522	2 571	3 609	3 711	**10 973**
Decreases	-	-	(151)	(1 223)	-	**(1 374)**
Foreign exchange differences	166	(9)	169	(291)	(399)	**(364)**
As at 30.06.2015	2 979	4 706	33 747	51 278	31 312	**124 022**
Impairment write-downs						
As at 01.01.2015	101	-	1 414	4 287	-	**5 802**
Increases	-	-	-	(105)	-	**(105)**
Foreign exchange differences	-	-	(3)	221	-	**218**
As at 30.06.2015	101	-	1 411	4 403	-	**5 915**
Net value as at 01.01.2015	**296 087**	**2 067**	**32 354**	**42 284**	**155 278**	**528 070**
Net value as at 30.06.2015	**292 485**	**1 552**	**36 703**	**43 499**	**149 046**	**523 285**

Other intangible assets cover mainly exclusivity right of brand operator and computer software.

Own brands with indefinite useful life value as at June 30, 2016 was equal to PLN 287.803 thousand and as at June 30, 2015 PLN 272.686 thousand.

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

The amortization was charged to the costs of restaurant operations – PLN 4.708 thousand (prior period: - PLN 4.834 thousand), franchise expenses and other – PLN 3.935 thousand (prior period: PLN 3.741 thousand) and administrative expenses – PLN 6.853 thousand (prior period: PLN 2.398 thousand).

9. Other non-current assets

As at June 30, 2016 and December 31, 2015 the balances of other non-current assets were as follows:

	30.06.2016	31.12.2015
Prepaid rental fees	1 670	2 412
Deposits in respect of rentals	48 464	43 467
Other	5 745	5 922
	55 879	**51 801**

10. Inventories

As at June 30, 2016 and December 31, 2015, inventories cover mainly food and packaging used in the restaurants and additionally finished goods and work in progress prepared by central kitchen for the sale of La Tagliatella restaurants purposes. Due to the nature of its business and the applicable standards of the Group treats the whole inventory as materials. Inventories are presented in net value including write-downs.

Inventory write-downs as at June 30, 2016 and December 31, 2015 were presented in table below:

	30.06.2016	31.12.2015
Value for the beginning of the period	257	278
Provision created	36	130
Provisions released	(36)	(151)
Provisions used	9	-
Value for the end of the period	**266**	**257**

11. Trade and other receivables

	30.06.2016	31.12.2015
Trade receivables from non-related entities	46 158	44 888
Trade receivables from related entities (note 24)	9	7
Other tax receivables	25 267	40 659
Deposits due above 3 months	-	9 214
Loans given to other entities	7 720	-
Other	11 493	7 862
Write-downs of receivables	(9 855)	(10 540)
	80 792	**92 090**

12. Other current assets

	30.06.2016	31.12.2015
Prepaid costs in respect of deliveries of utilities	580	238

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

	30.06.2016	31.12.2015
Prepaid lease costs	8 529	9 799
Prepaid property insurance	499	1 105
Prepaid professional services cost	968	552
Prepaid marketing costs	232	336
Prepaid of goods	11 205	8 446
Asset from purchase price adjustment	-	14 330
Other	9 654	9 451
Write-downs of other current assets	(400)	(250)
	31 267	**44 007**

Other current assets are presented in net value taking into consideration impairment provisions.

13. Cash and cash equivalents

Cash and cash equivalents as at June 30, 2016 and June 30, 2015 are presented in the table below:

	30.06.2016	31.12.2015
Cash at bank	328 210	293 553
Cash in hand	18 250	24 318
	346 460	**317 871**

Reconciliation of working capital changes as at June 30, 2016 and June 30, 2015 is presented in the table below:

2016	The balance sheet change	Increase from acquisition	Recognition of capital elements in the employee share option plan	Elimination of transaction concerned settlement of subsidiary acquisition	Change in investment liabilities	Foreign exchange differences	Working capital changes
Change in receivables	11 298	2 595	-	-	-	2 648	16 541
Change in inventories	(6 210)	6 029	-	-	-	2 351	2 170
Change in other assets	8 662	9 961	-	(14 330)	-	17 803	22 096
Change in payables and other liabilities	(12 343)	(94 926)	-	-	6 578	(11 358)	(112 049)
Change in other provisions and employee benefits	4 021	(9 794)	12 628	-	-	(293)	6 562

2015	The balance sheet change	Increase from acquisition	Recognition of capital elements in the employee share option plan	Elimination of intercompany transactions	Foreign exchange differences	Working capital changes
Change in receivables	7 374	1 226	-	(905)	(800)	6 895
Change in inventories	(4 818)	3 209	-	-	(300)	(1 909)
Change in other assets	(9 306)	3 007	-	-	(874)	(7 173)
Change in payables and other liabilities	519	(19 155)	-	905	1 825	(15 906)

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

2015	The balance sheet change	Increase from acquisition	Recognition of capital elements in the employee share option plan	Elimination of intercompany transactions	Foreign exchange differences	Working capital changes
Change in other provisions and employee benefits	7 682	(4 851)	(5 325)	-	(494)	(2 988)

14. Equity

Share capital

As described in note 1a) On April 27, 2005, the shares of AmRest Holding SE were floated on the Warsaw Stock Exchange ("WSE").

As at June 30, 2016, there were 21 213 893 shares issued by the Company, fully paid-up shares. The Company's target capital is 500 000 shares. Nominal value of one share is 1 eurocent (0.01 EUR).

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

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

Other supplementary capital

Structure of other supplementary capital is as follows:

	Surplus over nominal value (share premium)	Non-refundable additional contributions to capital without additional issuance of shares made by the Group's shareholders before their debut on the WSE	Impact of put option value-tion	Employee Options	Own shares	Hedges valuation influence	Trans-actions with non control-ling interests	Reserves total
As at 01.01.2016	**755 692**	**6 191**	**(176 536)**	**8 597**	**(21 212)**	**(11 121)**	**116 695**	**678 306**
COMPREHENSIVE INCOMES								
Impact of net investment hedges valuation	-	-	-	-	-	(24 515)	-	**(24 515)**
Deferred income tax concerning net investment hedges	-	-	-	-	-	4 658	-	**4 658**
Comprehensive income total	-	-	-	-	-	(19 857)	-	**(19 857)**
TRANSACTIONS WITH SHAREHOLDERS								
Purchase of treasury shares	-	-	-	-	(11 016)	-	-	**(11 016)**
Release of treasury shares	-	-	-	(27 799)	27 799	-	-	-
Employees stock option plan –value of employee services excercised in the period	-	-	-	9 576	-	-	-	**9 576**
Employees stock option plan –proceeds from employees- value of disposed shares	-	-	-	4 882	-	-	-	**4 882**
Employees stock option plan –value of unexcercised employee benefits	-	-	-	9 831	-	-	-	**9 831**
Change of deferred tax related to unexercised employee benefits	-	-	-	1 560	-	-	-	**1 560**
Transactions with shareholders total	-	-	-	(1 950)	16 783	-	-	**14 833**
As at 30.06.2016	**755 692**	**6 191**	**(176 536)**	**6 647**	**(4 429)**	**(30 978)**	**116 695**	**673 282**
As at 01.01.2015	**755 692**	**6 191**	**(176 536)**	**(2 674)**	**(4 014)**	**(10 736)**	**124 701**	**692 624**
COMPREHENSIVE INCOMES								
Impact of net investment hedges valuation	-	-	-	-	-	9 589	-	**9 589**
Deferred income tax concerning net investment hedges	-	-	-	-	-	(1 822)	-	**(1 822)**
Comprehensive income total	-	-	-	-	-	7 767	-	**7 767**
TRANSACTIONS WITH SHAREHOLDERS								
Purchase of treasury shares	-	-	-	-	(27 000)	-	-	**(27 000)**
Release of treasury shares	-	-	-	(11 551)	11 551	-	-	-
Employees stock option plan –value of unexcercised employee benefits	-	-	-	14 565	-	-	-	**14 565**
Employees stock option plan –value of employee services excercised in the period	-	-	-	(7 484)	-	-	-	**(7 484)**
Transactions with shareholders total	-	-	-	(4 470)	(15 449)	-	-	**(19 919)**
As at 30.06.2015	**755 692**	**6 191**	**(176 536)**	**(7 144)**	**(19 463)**	**(2 969)**	**124 701**	**680 472**

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

Within the bank loans as at June 30, 2016 a loan of EUR 117,7 million has been disclosed, which is hedging net investment in Hungarian subsidiary AmRest Capital Zrt, hedging the Group against the foreign currency risk resulting from revaluations of net assets. Gain or loss from revaluation at appropriate exchange rate as of end of financial period of this liability balance are reflected into reserve capital in order to net the effect gains and losses on net investment in subsidiaries revaluation. During the period for the 6 months ended June 30, 2016 hedge was fully effective.

Within the bank loans as at June 30, 2016 a loan of EUR 75 million has been included which is hedging net investment in Spanish subsidiary AmRest TAG S.L., hedging the Group from currency exchange risk resulting from revaluation of net assets. Gain or loss from revaluation at appropriate exchange rate as of end of financial period of this liability balance are reflected into reserve capital in order to net the effect gains and losses on net investment in subsidiaries revaluation. During the period for the 6 months ended June 30, 2016 hedge was fully effective.

As at June 30, 2016 hedged position was part of consolidated interim condensed financial statements therefore cumulated value of currency revaluation was still recognized in reserve capital and accounted for PLN 24.515 thousand and deferred tax for PLN 4.658 thousand.

Net investment hedges:	Net investment in EUR	Valuation effects of hedges
As at 01.01.2015	**(10 736)**	**(10 736)**
Effect of hedging instruments net investment	9 589	9 589
deferred tax	(1 822)	(1 822)
As at 30.06.2015	**(2 969)**	**(2 969)**
As at 01.01.2016	**(11 121)**	**(11 121)**
Effect of hedging instruments net investment	(24 515)	(24 515)
deferred tax	4 658	4 658
As at 30.06.2016	**(30 978)**	**(30 978)**

Retained Earnings

Retained Earnings of a Group according to 16th resolution of Annual Shareholders Meeting dated June 10, 2011 includes also reserve fund in value of PLN 50 million for purchase of treasury shares only for share option redemption to every existing and future employee and managerial motivational stock option plans, including Management Board members of Group entities. As at June 30, 2016 (as it was disclosed in statement of changes in equity) transaction on treasury shares for existing stock option plans were realized amounting PLN 16.783 thousand (accordingly in 2015 PLN (15.449) thousand).

Foreign exchange differences on translation

Foreign exchange differences on translation cover all the foreign exchange differences resulting from the translation of the financial statements of the Group’s foreign operations into Polish zloties.

	For the 6 months ended June 30, 2016	**For the 6 months ended June 30, 2015**
At the beginning of the period	(110 447)	(86 216)
Foreign exchange differences from net assets revaluation in subsidiaries	86 557	17 083
At the end of the period	**(23 890)**	**(69 133)**

Foreign exchange differences on translation

Foreign exchange differences on translation cover all the foreign exchange differences resulting from the translation of the financial statements of the Group’s foreign operations into Polish zloties.

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

	30.06.2016	31.12.2015
Blue Horizon Hospitality Group PTE Ltd.	45 561	47 915
AmRest Coffee Sp. z o.o.	5 188	5 845
SCM Sp. z o.o.	8 272	6 813
AmRest Coffee s.r.o.	6 986	6 362
AmRest Kávézó Kft	2 598	2 553
AmRest d.o.o.	1 660	1 557
AmRest HK Ltd*	-	-
Non-controlling interests	**70 265**	**71 045**

**From December 1, 2015 AmRest Holdings SE has full control in subsidiary entity AmRest HK Ltd (no non-controling interest)*

15. Borrowings

Borrowings as at June 30, 2016 and December 31, 2015 are presented in the table below:

Long-term	30.06.2016	31.12.2015
Bank loans	970 898	756 790
Bonds	279 320	279 156
	1 250 218	**1 035 946**

Short-term	30.06.2016	31.12.2015
Bank loans	95 969	89 418
	95 969	**89 418**

Bank loans and bonds

Currency	Lender/ bookbuilder	Effective interest rate	30.06.2016	31.12.2015
in PLN	Syndicated bank loan	3.6%	138 902	138 781
in EUR	Syndicated bank loan	2.5%	850 672	637 183
in CZK	Syndicated bank loan	2.9%	65 297	63 021
in PLN	Bonds 5 years (issued in 2013 and 2014)	4.3%	279 320	279 156
other	Overdraft - China	6.1%	11 996	7 223
			1 346 187	**1 125 364**

Bank loans comprise mainly investment loans bearing a variable interest rate based on reference rates WIBOR, PRIBOR and EURIBOR. Exposure of the loans to interest rate risk and contractual dates for changing the interest rates occur in 3-month cycles.

On September 10, 2013 a Credit Agreement ("the Agreement") between AmRest, AmRest Sp. z o.o.("AmRest Poland") and AmRest s.r.o. – jointly "the Borrowers" and Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Rabobank Polska S.A. (Currently Bank BGŻ BNP Paribas S.A.) and ING Bank Śląski Polska S.A. – jointly "the Lenders" was signed.

Based on the Agreement the Lenders granted to the Borrowers a credit facility in the approximated amount of EUR 250 million. The facility consists of four tranches: Tranche A, EUR 150 million, Tranche B, PLN 140 million, Tranche C, CZK 400 million and Tranche D granted as a revolving credit facility, PLN 200 million. The facility is dedicated for repayment of the obligations under the credit agreement signed October 11, 2010 along with further annexes, financing development activities of AmRest and working capital management. The facility shall be fully repaid by September 10, 2018. All Borrowers bear joint liability for any obligations resulting from the Agreement. Additionally, the following members of the group are guarantors of the facility: OOO AmRest, AmRest TAG S.L.U., AmRestavia S.L., Restauravia Grupo Empresarial S.L., Restauravia Food S.L.U., Pastificio

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

Service S.L.U, AmRest Finance Zrt and AmRest Capital Zrt. These entities secure Borrowers' repayment of borrowings until final repayment.

The loan is provided at a variable interest rate. AmRest is required to maintain liquidity ratios (net debt/EBITDA, equity/total assets, EBITDA/interest) at agreed levels. In particular net debt/EBITDA ratio is to be held at below 3.5 level and AmRest is required not to distribute dividend payments if the mentioned ratio exceeds 3.0 (see note 21).

On May 6, 2016 an Annex to the Agreement was signed introducing an amended and restated version of the credit agreement („the Amended Agreement"). Based on the Amended Agreement, the Lenders granted the Borrowers an additional credit tranche (Tranche E) in the amount of EUR 50 million and increase revolving credit tranche (Tranche D) by PLN 100 million. The amount granted within Tranche E is dedicated to finance or refinance costs of M&A activities, while increased revolving credit is to finance working capital and capital expenditures.

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

As at December 7, 2009 AmRest Holdings SE signed with RBS Bank (Polska) S.A. and Bank Pekao S.A. agreement for bonds issuance ("5 years bonds"), on the basis of which option program for corporate bonds of AmRest was released, allowing to issue bonds in total maximum value of PLN 300 million, where bonds in the value of PLN 150 million were issued already. Agreement was signed for agreed period till July 9, 2015 with period extension options till repayment of all issued bonds.

On August 22, 2012 the above mentioned agreement was replaced with the new one signed between AmRest Holding SE, AmRest Sp. z o.o. and Bank PEKAO S.A. for a defined period until December 31, 2019. Program extension is possible until redemption of all bonds issued.

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

On September 10, 2014 AmRest made an early redemption of bonds for the total value of PLN 131.5 million. At the same time, AmRest issued 14 000 bonds in the total nominal value of PLN 140 million with maturity date September 10th 2019. The bonds have a variable interest rate of 6M WIBOR increased by margin. The interest is paid semi-annually (on June 30th and December 30th). Group is required to maintain certain financial ratios (net debt/EBITDA, equity/total assets, EBITDA/interest charge) at levels agreed in the Emission Terms dated September 10, 2014 (accordingly: <3.5; >0.3; >3.5;). There are no additional securities on the bond issue.

On December 30, 2014 AmRest made a redemption of bonds that reached maturity date on December 30, 2014 with the face value of PLN 18.5 million. At the end of 2014 AmRest has two bond issues outstanding: PLN 140 million with maturity date June 30, 2018 and PLN 140 million maturing on September 10, 2019.

As at June 30, 2016 the payables concerning bonds issued amounted to PLN 279.320 thousand.

The maturity of long- and short-term loans and bonds as at June 30, 2016 and December 31, 2015 is presented in the table below:

	30.06.2016	**31.12.2015**
Up to 1 year	95 969	89 418
Between 1 and 2 years	345 211	156 110
Between 2 and 5 years	905 007	879 836
More than 5 years	-	-
	1 346 187	**1 125 364**

The Group has the following unused, awarded credit limits as at June 30, 2016 and December 31, 2015:

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

	30.06.2016	31.12.2015
With floating interest rate		
- expiring within one year	39 778	28 333
- expiring beyond one year	315 000	200 000
	354 778	**228 333**

16. Other non-current liabilities

Other non-current liabilities cover the long-term portion of deposits received, deferred income of rents and other deferred income which amounted to PLN 13.474 thousand and PLN 14.901 thousand respectively as at June 30, 2016 and December 31, 2015.

17. Liabilities in respect of wages and salaries and employee benefits

Employee share option plan 2

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

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

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

In November 2014, Supervisory Board of Group parent entity approved and changed wording of regulations by adding net cash settlement of option value (employee decides about settlement method).

For the grants after December 8, 2015 was implemented change in regulations which eliminated a possibility of option settlement with cash method. Furthermore, group of employees made a unilateral statement about resignation from cash settlement possibility in relation to option granted also in previous periods.

Due to above changes, according to Group accounting policy, as at June 30, 2016 was recognized liability in the value of PLN 10.060 thousands. For options settled by capital method as at June 30, 2016 was recognized provision of PLN 12.628 thousands was recognized in reserved capital (according to Group accounting policy).

As at December 31, 2015 were recognised accordingly: liablity in the value of PLN 21.629 thousands and provision within reserved capital- PLN 128 thousands.

Employee share option plan 3

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

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

As at June 30, 2016 provision of PLN 9.827 thousands was recognized in reserved capital according to the Group accounting policy. As at December 31, 2015 this provision amounted to PLN 12.496 thousands.

Liabilities in respect of wages and salaries and employee benefits as at June 30, 2016 and December 31, 2015 are presented in a table below:

	30.06.2016	**31.12.2015**
Liability for Employee share option plan 2	10 060	21 629
Liability for Employee share option plan 3	-	-
Other liabilities	4 814	5 048
	14 874	**26 677**

Employee benefits costs

The costs recognized in connection with incentive programs for the period of 6 months ending on June 30, 2016 and June 30, 2015 respectively are presented below:

	For the 6 months ended June 30, 2016	**For the 6 months ended June 30, 2015**
Value of employee benefits in employee stock option plan 2	9 291	12 175
Value of employee benefits in employee stock option plan 3	1 186	2 391
Value of employee benefits in local incentive programs (Spain, China)	2 368	1 344
	12 845	**15 910**

18. Trade and other payables

Trade and other payables as at June 30, 2016 and December 31, 2015 cover the following items:

	30.06.2016	**31.12.2015**
Payables to non-related entities, including:	321 149	356 663
Trade payables	181 526	229 352
Payables in respect of uninvoiced lease fees and deliveries of food	26 800	16 946
Employee payables	41 626	31 662
Social insurance payables	21 531	23 757
Other tax payables	18 005	16 678
Gift voucher liabilities	1 841	1 427
Other payables to non-related entities	29 820	36 841
Liabilities to related entities (note 24)	6	94
Accruals, including:	111 495	98 999
Employee bonuses	28 066	27 491
Marketing services	7 199	8 076
Holiday pay accrual	19 377	13 055
Professional services	8 636	7 315
Franchise fees	9 500	9 742
Lease cost provisions	15 622	15 662
Investment payables accrual	16 480	10 128

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

	30.06.2016	31.12.2015
Other	6 615	7 530
Deferred income – short-term portion	17 258	5 173
Social fund	950	845
Total trade and other payables	**450 858**	**461 774**

19. Finance lease liabilities

Financial lease liabilities – present value:

	30.06.2016	31.12.2015
Payable within 1 year	1 469	1 323
Payable from 1 to 5 years	4 361	4 396
Payable after 5 years	3 559	3 525
	9 389	**9 244**

Finance lease liabilities – minimum lease payments:

	30.06.2016	31.12.2015
Payable within 1 year	2 341	2 242
Payable from 1 to 5 years	6 197	6 232
Payable after 5 years	4 934	5 131
Total minimum lease payments	13 472	13 605
Future finance costs in respect of finance leases	(4 083)	(4 361)
Present value of finance lease liabilities	**9 389**	**9 244**

20. Operating leases

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

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

	30.06.2016	31.12.2015
Payable within 1 year	297 161	309 252
Payable from 1 to 5 years	987 237	1 051 701
Payable after 5 years	792 587	797 978
Total minimum lease payments	**2 076 985**	**2 158 931**

In respect of many restaurants (especially those in shopping malls) lease payments comprise two components: a fixed fee and a conditional fee depending on the restaurant’s revenues. The conditional fee usually constitutes from 2.5% to 9% of a restaurant’s revenue.

21. Critical accounting estimates and judgments

Gain or loss from revaluation at appropriate exchange rate as of end of financial period of signed forward contracts and instruments from delayed payments are reconciled in income statements.

Fair value estimation

As at financial statement publishing date fair value of financial instruments which are in turnover on active market bases on market quotation. Fair value of financial instruments which aren’t in turnover on active market is calculated by using valuation techniques. The Group uses different methods and assumes assumptions based on market conditions as at each balance sheet date. Fair value of financial assets available for sale, which aren’t in turnover on active market, is calculated with using sector indexes and last available financial information concerned investment. Fair value of currency exchange rate option and forwards is calculated based on valuation made by banks which issued the instrument. Balance sheet value of receivables including impairment and balance sheet value of payables are similar to their fair values due to short term capacity.

Following fair value valuations concerned financial instruments were used by the Group:

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

	Level 1	**Level 2**	**Level 3**	**30.06.2016**
Investment property	-	22 152	-	22 152

Investment property belongs to the "CEE" segment, their fair value was based on valid stock exchange quoting being on active market. As at June 30, 2016 and December 31, 2015 the Group did not possess financial instruments valuated at fair value. As at June 30, 2016 and December 31, 2015 the Group did not recognizes the transfers between levels of fair value valuations.

Fair value valuation was used to measurement of the net assets from the acquisition (note 2).

Fair value of financial instruments

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

In thousands of Polish Zloty				**30.06.2016**		**31.12.2015**	
Financial instrument	**IAS 39 category**	**Fair value hierachy**	**Notes**	**Fair value**	**Book value**	**Fair value**	**Book value**
Other non-current assets, except for prepayments	A	3	9	54 209	54 209	49 389	49 389
Trade and other receivables	A	*	11	55 525	55 525	51 431	51 431
Other current assets, except for prepayments	A	*	12	9 254	9 254	14 330	14 330
Cash and cash equivalents	A	*	13	346 460	346 460	317 871	317 871
Interest-bearing loans and borrowings (long term)	B	3	15	970 898	970 898	756 790	756 790
Bonds	B	3	15	279 320	279 320	279 156	279 156
Finance lease liabilities (long term)	B	3	19	7 920	7 920	7 921	7 921
Employee benefit financial liability	B	3	17	4 814	4 814	3 564	3 564
Other non-current liabilities	B	3	16	573	573	700	700
Interest-bearing loans and borrowings (short term)	B	*	15	95 969	95 969	89 418	89 418
Finance lease liabilities (short term)	B	*	19	1 469	1 469	1 323	1 323
Trade and other accounts payable (short term)	B	*	18	353 616	353 616	373 348	373 348

A - loans and receivables measured at amortised cost

B - financial liabilities measured at amortised cost

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

Book value of receivables, loans and short-term liabilities are similar to their fair values due to their short term settlement. According to the estimations of the Group, fair values of non-current assets and liabilities immaterially differs from their respective book values.

Risk management

For the purpose of the risk management related to certain transaction within the Group forward currency contracts are used. Open contracts as at June 30, 2016 are not designated as cash flow hedges, fair value hedges or net investment hedges in foreign operations. They are signed for periods not longer than risk exposition periods, prevailing for one to twelve months. As at June 30, 2016 the Group did not possess open contracts.

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

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

Credit risk

Financial instruments especially exposed to credit risk include cash and cash equivalents, receivables, derivatives and investments held to maturity. The Group invests cash and cash equivalents with highly reliable financial institutions. There is no significant concentration of credit risk in respect of trade and other receivables due to the fact that sales are based mainly on cash and credit card payments. The Group set up an additional impairment write-down of PLN 1.242 thousand for the Group's receivables exposed to credit risk and in for the 6 months ended June 30, 2016. The maximum credit risk exposure amounts to PLN 427.252 thousand.

Interest rate risk

Bank borrowings drawn by the Group are most often based on fluctuating interest rates (note 15). As at June 30, 2016 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyzes the market position relating to interest on loans in terms of potential refinancing of debt or renegotiating the lending terms and conditions. The impact of changes in interest rates on results are analyzed in quarterly periods.

Foreign exchange risk

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

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

Net investment foreign currency valuation risk

Group is exposed to risk of net investment valuation in subsidiaries valued at foreign currencies. This risk is hedged for key positions with use of net investment hedge.

Group applies hedging accounting for revaluation of borrowings, forwards and put option liability in EUR which constitutes net investment hedges in Hungarian and Spanish related parties. Details concerning hedging on currency risk are described in note 14.

Liquidity risk

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

The maturity break-down of long- and short-term borrowings as at June 30, 2016 and December 31, 2015 is presented in note 15.

Capital risk

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

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

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

The Group's gearing as at June 30, 2016 and December 31, 2015 is as follows:

	30.06.2016	31.12.2015
Total borrowings (note 15)	1 346 187	1 125 364
Finance lease liabilities (note 19)	9 389	9 244
Less: Cash and cash equivalents (note 13)	(346 460)	(317 871)
Net debt	1 009 116	816 737
Income from operating activity before interests, tax, depreciation, gain/loss on fixed assets sale and impaiment after adjustment of profit from sold assets in USA	483 037	440 365
Gearing ratio	**2.09**	**1.85**

The change in the gearing ratio as at June 30, 2016 is driven by increase of borrowings.

22. Future commitments and contingent liabilities

In accordance with the franchise agreements signed, the Group is obliged to periodically improve the standard, modify, renovate and replace all or parts of its restaurants or their installations, marking or any other equipment, systems or inventories used in restaurants to make them compliant to the current standards. The agreements require no more than one thorough renovation of all installations, markings, equipment, systems and inventories stored in the back of each restaurant to comply to the current standards, as well as no more than two thorough renovations of all installations, markings, equipment, systems and inventories stored in the dining rooms of each of the restaurants during the period of a given franchise agreement or the period of potential extension of the agreement. The expenses for the purpose forecast by the Group amount to ca. 1.5% of annual sales form the restaurants' operations in the future periods.

Other future commitments resulting from the agreements with the Burger King, Starbucks and Applebee's and the current and future franchise agreements were described in note 1a) and note 1i).

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

The status of the guarantees offered by the Group as at June 30, 2016 are as follows:

	Guarantee site	Guarantee mechanism	Maximum amount
Warranty of the lease restaurant in Germany	AmRest Holdings SE warrants AmRest GmbH to Berliner Immobilien Gesellschaft GbR	Rent payment due, future charges to the end of the contract, incurred cost and accrued interest	According to the guarantee mechanism

23. Investment in associates

Changes to the value of investments in associates in consecutive periods are presented in the table below:

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

	30.06.2016	**31.12.2015**
At the beginning of the period	828	403
Share in profits and losses of associates	(11)	588
Dividend payment	-	(163)
Other	1	-
Balance as at the end of the year	**818**	**828**

The Group's share in associates and the basic financial data of the entities are as follows:

Name of associate	Country of registration	Assets	Liabilities	Revenues	Profit/ (Loss)	Shares held (%)
June 30, 2016						
SCM s.r.o.	Czech	1 609	265	967	(23)	45.90
June 30, 2015						
SCM s.r.o.	Czech	778	149	735	207	45.90

24. Transactions with related entities

Trade and other receivables from related entities

	30.06.2016	**31.12.2015**
MPI Sp. z o. o.	7	7
Associates	2	-
	9	**7**

Trade and other payables to related entities

	30.06.2016	**31.12.2015**
MPI Sp. z o. o.	-	94
Associates	6	-
	6	**94**

Sales of goods for resale and services

	For the 6 months ended June 30, 2016	**For the 6 months ended June 30, 2015**
MPI Sp. z o. o.	35	37
Associates	13	-
	48	**37**

Purchase of goods for resale and services

	For the 6 months ended June 30, 2016	**For the 6 months ended June 30, 2015**
MPI Sp. z o. o.	743	582
Associates	-	-
	743	**582**

Other related entities

Group shareholders

Notes to the interim condensed consolidated financial statements (in PLN thousands unless stated otherwise)

As at June 30, 2016, FCapital Dutch B. V. was the largest shareholder of AmRest and held 31.71% of its shares and voting rights, and as such was its related entity. No material transactions with FCapital Dutch B. V. related parties were noted.

Transactions with the management, Management Board, Supervisory Board

The remuneration of the Management Board of AmRest Holdings SE paid by the Group was as follows:

	For the 6 months ended June 30, 2016	For the 6 months ended June 30, 2015
Remuneration of the members of the Management and Supervisory Boards paid directly by the Group	5 998	4 498
Total remuneration paid to the Management Board and Supervisory Board	**5 998**	**4 498**

The Group's key employees also participate in an employee share option plan. The costs relating to the employee option plan in respect of management amounted to PLN 2.051 thousand and PLN 1.664 thousand respectively in the 6 month periods ended June 30, 2016 and June 30, 2015.

		For the 6 months ended June 30, 2016	For the 6 months ended June 30, 2015
Number of options awarded		516 780	819 148
Number of available options		229 346	289 148
Fair value of options as at the moment of awarding	PLN	16 525 087	24 361 551

As at June 30, 2016 and June 30, 2015, there were no liabilities to former employees.

25. Events after the balance sheet date

On July 12th, 2016 it was announced the tender offer of FCapital Dutch B.V. to subscribe for 7.274.379 shares issued by AmRest Holdings SE. Pursuant to the terms of the Tender Offer, a company CULLINAN, S.A R.L. with its seats registered in Capellen (Luxemburg), being a 100% subsidiary of FCapital, acting on the basis of art. 73 paragraph 1 of the Act on Public Offering, intends to acquire 7.274.379 ordinary bearer shares of AmRest (nominal value EUR 0.01 each), entitling to 7.274.379 votes at the General Meeting of the Company and representing 34.29% of the share capital of the Company and 34.29% of the total number of votes at the General Meeting of the Company. Cullinan, together with its parent company FCapital, hold 6.726.790 shares of AmRest, entitling to 6.726.790 votes at the General Meeting of the Company and representing 31.71% of the share capital of the Company and 31.71% of the total number of votes at the General Meeting of the Company. As a result of the tender, Cullinan intends to hold, together with FCapital, 14.001.169 shares of AmRest, entitling to 14.001.169 votes at the General Meeting of the Company and representing 66% of the share capital of the Company and 66% of the total number of votes at the General Meeting of the Company. According to the tender offer, Cullinan will be the only acquirer of AmRest shares in the process of the tender.
Pursuant to the terms of the tender offer, completion of the tender is subject to receiving the unconditional approval of antitrust authorities for the sale of AmRest shares.

On July 27th, 2016 the Management Board of AmRest Holdings SE, acting on the basis of art. 80 sec. 1 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies, announces the position of the Management Board regarding the tender offer to subscribe for shares in the Company announced by FCapital Dutch B.V. on 12th July, 2016. The announcement stated that concerning independent opinion of KPMG the price proposed in the tender offer is not within the range of fair value of the Company.

Signatures of Board Members

Drew O'Malley
AmRest Holdings SE
Board Member

Wojciech Mroczyński
AmRest Holdings SE
Board Member

Mark Chandler
AmRest Holdings SE
Board Member

Jacek Trybuchowski
AmRest Holdings SE
Board Member

Oksana Staniszewska
AmRest Holdings SE
Board Member

Olgierd Danielewicz
AmRest Holdings SE
Board Member

Wroclaw, August 12, 2016