AmRest Holdings, S.E. and subsidiaries

Consolidated Annual Accounts

31 December 2019

Consolidated Directors' Report

2019

(With Independent Auditor's Report Thereon)

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

Independent Auditor's Report on the Consolidated Annual Accounts

To the Shareholders of AmRest Holdings, S.E.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of AmRest Holdings, S.E. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2019, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity and consolidated notes, for the year then ended.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2019 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

KPMG

Key Audit Matters

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

Recoverable amount of non-current assets subject to amortisation or depreciation

See notes 7, 16, 17 and 18 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2019, the Group has recognised property, plant and equipment, rights of use, and intangible assets with a finite useful life amounting to Euros 584.9 million, Euros 852.7 million and Euros 102.4 million, respectively, as well as goodwill and trademarks, both with an indefinite useful life, in amounts of Euros 350.2 million and Euros 151.1 million, respectively, which have been allocated to the pertinent cash-generating units (CGUs) or groups of CGUs. For the purposes of evaluating impairment, each establishment constitutes a cash-generating unit. In this regard, intangible assets (primarily trademarks) and goodwill have been allocated to a significant portion of the CGUs. There is a risk that the carrying amount of the CGUs may exceed their recoverable amount in those establishments or groups of establishments that have seen a decline in the number of customers. Factors such as investments in fixed assets in each establishment, competition or promotional and marketing activities affect the number of customers. The Group calculates the recoverable amount of goodwill and trademarks with an indefinite useful life and tests property, plant and equipment, right of use assets and intangible assets with a finite useful life for indications of impairment at least on an annual basis, for the purpose of determining their recoverable amount. These recoverable amounts are calculated by applying valuation techniques which require the exercising of judgement by the Directors and Management and the use of estimates. Due to the high level of judgement, the uncertainty associated with these estimates and the significance of the carrying amount of the non-current assets, this has been considered a key audit matter.	Our audit procedures included the following: – Assessing the design and implementation of key controls related to the process of estimating the recoverable amount of goodwill, trademarks with an indefinite useful life and other non-current assets with a finite useful life. – Assessing the criteria used by the Directors and Group Management when identifying indications of impairment in property, plant and equipment, right of use assets and intangible assets with a finite useful life, other than goodwill and trademarks which have an indefinite useful life. – Assessing the methodology and assumptions used to estimate the recoverable amount, by determining the higher of value in use and fair value less costs to sell, based on discounted cash flows at CGUs level or groups of CGUs, as appropriate. – Comparing the cash flow forecasts estimated in prior years with the actual cash flows obtained. – Analysing the sensitivity of the estimated recoverable amount to changes in the relevant assumptions and judgements, such as the discount rate, the business assumptions and the expected future growth rate in perpetuity. – We also assessed whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

Leases
See notes 5 and 17 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2019, virtually all of the Group's premises are leased. Consequently, after the implementation of IFRS 16, at year end the Group has recognised, rights of use and lease liabilities (both current and non-current) valued at Euros 852.7 million and Euros 864.1 million, respectively. Due to the implementation of this standard in 2019, in the transition, lease liabilities in respect of leases classified as operating leases under IAS 17 were measured at the present value of the remaining lease payments, while the amount of the right-of-use assets was equal to the lease liabilities, adjusted for the amount of lease payments accrued or paid in advance. This valuation requires, aside from a review by Management, the application of valuation techniques which in turn require the exercising of judgement by the Directors and Management and the use of estimates. Due to the high level of judgement, the uncertainty associated with these estimates, the possibility of there being errors therein due to the high number of leases with which the Group operates, and the significance of the carrying amount of these assets and liabilities and the impacts on the income statement brought about by the implementation of this standard, this has been considered a key audit matter.	Our audit procedures included the following: — Testing the design and implementation of the key controls to ensure the completeness and accuracy of the lease contracts. — Assessing the reasonableness of the main judgements and estimates made by Management to identify all the contracts included within the scope of IFRS 16. — Evaluating whether Management's determination of the lease term and payments is accurate. — Testing whether an appropriate discount rate was used to calculate the present value of lease liabilities, with the assistance of our valuation specialists. — Assessing the information used by the Group to measure the lease liabilities, through a sample of lease contracts. — We also assessed whether the information disclosed in the consolidated annual accounts meets the requirements of the financial reporting framework applicable to the Group.

Business combinations
See note 7 to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
In 2019, the Group concluded its purchase price allocation for the Sushi Shop Group described in note 7 to the accompanying consolidated annual accounts. This transaction was established as a business combination pursuant to IFRS 3. As a result of this transaction and in accordance with the applicable financial reporting framework, the Group has recognised goodwill amounting to Euros 139.0 million, calculated as the difference between the fair values of the assets and liabilities acquired and the price paid in the business combination, as well as a trademark in an amount of Euros 86.1 million and other intangible assets totalling Euros 23..0 million. The accounting of this transaction was complex and required the application of value judgements in identifying and determining the fair value of the assets and liabilities acquired. We consider that this transaction is a key audit matter due to its significance, the inherent judgement involved in making fair value estimates and the impact on the consolidated annual accounts. The measurement of the property, plant and equipment and intangible assets of the business acquired was carried out by an expert appointed by Management, using different valuation techniques.	Our audit procedures included the following: — We read the independent expert's report to obtain an understanding of such report and of the value assigned to determine the fair value of the assets acquired, on the basis of which we have assessed the reasonableness of the assumptions and the model considered in determining the fair value, with the involvement of our valuation specialists. — We queried the main methods and assumptions used by the Group to identify the rest of the assets and liabilities acquired and determine their fair values. We discussed these with the Group and corroborated the explanations given, comparing these assumptions with market data and our previous experience of similar transactions. — We contrasted the amounts recognised with supporting documentation. — We analysed the appropriateness of the recognition of the significant fair value adjustments in subsequent periods by reference to the standard on accounting for acquisitions, as well as the presentation and disclosure of material adjustments to the financial statements and the analysis of the impact of restating the opening balances for 2018 at the annual deadline for recognising this business combination. — We analysed the appropriateness of the disclosure of these transactions in the consolidated annual accounts.

Tax inspections relating to value-added tax See note 35 to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
The subsidiary AmRest Sp. z o.o. is currently undergoing several tax inspections, which are at different stages, in relation to value added tax for 2012 to 2019. The identification and evaluation of these tax risks requires significant judgements by the Directors in relation to, inter alia, determining the forecast outcome of the inspections and their quantification for the purpose of recognition and disclosure in the consolidated annual accounts, where applicable, in accordance with the requirements of the financial reporting framework applicable to the entity. Due to the judgement inherent in assessing these different matters, the uncertainty associated with the estimates relating to the ongoing tax proceedings, and their potential impact on the consolidated annual accounts, this has been considered a key audit matter of the current period.	Our audit procedures included evaluating and discussing with the Company the process of measuring the probability of success in these cases and the extent of the potential loss, reviewing the legal documentation used by the Directors and analysing the conclusions reached. Furthermore: - We obtained confirmation from the Company's tax advisor, and the corresponding documentation from the auditor of the Company's component, regarding the expert's conclusions. - We assessed the risk and the factors influencing the possible recognition of a provision for the aforementioned lawsuits based on the financial reporting framework applicable to the entity. - Moreover, we consulted the specialists of the component's auditor to complete our assessment of the arguments put forward by the entity and its advisors regarding the legal proceedings. - We also evaluated whether the information disclosed in the notes to the consolidated annual accounts in this regard is appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the entity.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2019 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

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

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

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

Based on the work carried out, as described above, we have verified that the information mentioned in section a) above has been provided in the consolidated directors' report, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2019, and that the content and presentation of the report are in accordance with applicable legislation.

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

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

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

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

Auditor's Responsibilities for the Audit of the Annual Accounts

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 28 February 2020.

Contract Period

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

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

Carlos Peregrina García
On the Spanish Official Register of Auditors ("ROAC") with No. 15,765

28 February 2020

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

KPMG AUDITORES, S.L.

2020 Núm.01/20/04321

Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

Consolidated Financial Statements for the year ended 31 December 2019

AmRest Holdings SE

28 February 2020

AmRest

AmRest

Contents

(all figures in EUR millions unless stated otherwise)

Consolidated income statement
for the year ended 31 December 2019

	Note	year ended 31 December 2019	31 December 2018 *(restated*)*
Continuing operations			
Restaurant sales		1 855.6	1 460.6
Franchise and other sales		105.9	86.3
Total revenue	6,9	**1 961.5**	**1 546.9**
Restaurant expenses:			
Food and merchandise		(523.8)	(416.8)
Payroll, social security and employee benefits		(469.6)	(357.2)
Royalties		(88.6)	(74.6)
Occupancy and other operating expenses		(560.3)	(451.3)
Franchise and other expenses		(73.7)	(62.3)
General and administrative expenses		(147.3)	(115.1)
Total operating costs and losses	10	**(1 863.3)**	**(1 477.3)**
Net impairment losses on financial assets	12	(4.1)	(1.5)
Net impairment losses on other assets	12	(35.4)	(8.0)
Other operating income/expenses	11	46.9	11.5
Profit from operations		**105.6**	**71.6**
Finance income	13	33.8	2.7
Finance costs	14	(46.0)	(16.8)
Profit before tax		**93.4**	**57.5**
Income tax expense	15	(26.5)	(16.2)
Profit for the period		**66.9**	**41.3**
Attributable to:			
Shareholders of the parent		65.1	43.0
Non-controlling interests		1.8	(1.7)
Profit for the period		**66.9**	**41.3**
Basic earnings per ordinary share in EUR	30	0.30	0.20
Diluted earnings per ordinary share in EUR	30	0.29	0.20

** The comparative data were restated as a result of an reclassification adjustment described in note 44.*
Notes 1- 45 are an integral part of these consolidated financial statements.
The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

(all figures in EUR millions unless stated otherwise)

Consolidated statement of comprehensive income for the year ended 31 December 2019

	Note	year ended 31 December 2019	31 December 2018
Profit for the period		**66.9**	**41.3**
Other comprehensive income	27		
Exchange differences on translation of foreign operations		9.0	(9.5)
Net investment hedges		1.7	(4.2)
Income tax related to net investment hedges		(0.3)	0.9
Total items that may be reclassified to the income statement		10.4	(12.8)
Other comprehensive income/(loss) for the period		**10.4**	**(12.8)**
Total comprehensive income for the period		**77.3**	**28.5**
Attributable to:			
Shareholders of the parent		75.7	30.4
Non-controlling interests		1.6	(1.9)

Notes 1- 45 are an integral part of these consolidated financial statements.
The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

(all figures in EUR millions unless stated otherwise)

Consolidated statement of financial position at 31 December 2019

	Note	31 December 2019	31 December 2018 *(restated*)*
Assets			
Property, plant and equipment	16	584.9	501.4
Right-of-use assets	17	852.7	-
Goodwill	19	350.2	356.9
Intangible assets	18	253.5	261.2
Investment properties		5.2	5.2
Financial assets measured at fair value	21	76.2	26.9
Other non-current assets	22	25.1	27.1
Deferred tax assets	15	22.4	21.3
Total non-current assets		**2 170.2**	**1 200.0**
Inventories	23	29.9	25.7
Trade and other receivables	24, 39	104.6	55.5
Corporate income tax receivables		4.8	7.2
Other current assets	25	19.3	35.0
Cash and cash equivalents	26	106.2	118.4
Total current assets		**264.8**	**241.8**
Total assets		**2 435.0**	**1 441.8**
Equity			
Share capital		22.0	22.0
Reserves		178.3	206.1
Retained earnings		296.6	231.5
Translation reserve		(29.7)	(38.9)
Equity attributable to shareholders of the parent		**467.2**	**420.7**
Non-controlling interests	27	9.5	9.9
Total equity	27	**476.7**	**430.6**
Liabilities			
Interest-bearing loans and borrowings	31, 39	656.0	655.8
Lease liabilities	17	719.4	1.8
Employee benefits liability	33	0.6	1.7
Provisions	34	22.8	15.5
Deferred tax liability	15	51.4	49.5
Other non-current liabilities		9.2	27.0
Total non-current liabilities		**1 459.4**	**751.3**
Interest-bearing loans and borrowings	31, 39	64.1	6.0
Lease liabilities	17	144.7	0.6
Trade and other accounts payable	36	279.5	243.0
Corporate income tax liabilities		10.6	10.3
Total current liabilities		**498.9**	**259.9**
Total liabilities		**1 958.3**	**1 011.2**
Total equity and liabilities		**2 435.0**	**1 441.8**

** The comparative data were restated for the effect of final PPA accounting described in note 7 and 44.*
Notes 1- 45 are an integral part of these consolidated financial statements.
The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

(all figures in EUR millions unless stated otherwise)

Consolidated statement of cash flows for the year ended 31 December 2019

	Note	year ended 31 December 2019	31 December 2018
Cash flows from operating activities			
Profit before tax from continued operations		93.4	57.5
Adjustments for:			
Amortisation/ Depreciation		249.3	92.1
Net interest expense		43.0	11.7
Foreign exchange result		(1.5)	0.9
Result on disposal of property, plant and equipment and intangibles		1.6	(2.7)
Result on disposal of Pizza Portal	8	(37.1)	-
Impairment of non-financial assets		35.4	8.0
Share-based payments		(9.6)	6.7
Fair value measurement of financial assets		(31.7)	(1.9)
Other		(0.6)	-
Working capital changes:	26		
Change in trade and other receivables		(28.7)	(6.0)
Change in inventories		(3.9)	(1.9)
Change in other assets		(1.7)	(5.0)
Change in payables and other liabilities		32.7	19.8
Change in provisions and employee benefits		6.3	0.5
Income tax paid		(21.2)	(15.9)
Net cash from operating activities		**325.7**	**163.8**
Cash flows from investing activities			
Net cash outflows on acquisition	7	(24.1)	(246.5)
Purchase of financial assets measured at fair value		-	(25.0)
Proceeds from the sale of property, plant and equipment, and intangible assets		0.4	12.0
Purchase of property, plant and equipment		(182.7)	(151.0)
Purchase of intangible assets		(13.6)	(10.5)
Net cash used in investing activities		**(220.0)**	**(421.0)**
Cash flows from financing activities			
Proceeds from share transfers (employees options)		0.9	0.8
Repurchase of treasury shares	27	(0.9)	(9.5)
Payments on settlement of employee stock options in cash		-	(0.6)
Proceeds from shares issued net of transaction cost		-	69.0
Proceeds from loans and borrowings	31	71.6	282.7
Repayment of loans and borrowings	31	(15.8)	(90.0)
Payments of lease liabilities including interests paid		(148.3)	0.4
Interest paid	31	(17.9)	(13.8)
Interest received		0.5	0.8
Dividends paid to non-controlling interest owners	28	(1.4)	-
Transactions with non-controlling interest		(5.8)	2.1
Net cash from financing activities		**(117.1)**	**241.9**
Net change in cash and cash equivalents		**(11.4)**	**(15.3)**
Effect of foreign exchange rate movements		(0.8)	2.5
Balance sheet change of cash and cash equivalents		(12.2)	(12.8)
Cash and cash equivalents, beginning of period		118.4	131.2
Cash and cash equivalents, end of period	26	**106.2**	**118.4**

Notes 1- 45 are an integral part of these consolidated financial statements.
The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

(all figures in EUR millions unless stated otherwise)

Consolidated statement of changes in equity for the year ended 31 December 2019

		Attributable to the shareholders of the parent						
2019		Share capital	Reserves	Retained earnings	Translation reserve	**Total**	Non-controlling interest	**Total equity**
As at 1 January		**22.0**	**206.1**	**231.5**	**(38.9)**	**420.7**	**9.9**	**430.6**
Profit for the period		-	-	65.1	-	**65.1**	1.8	**66.9**
Other comprehensive income		-	1.4	-	9.2	**10.6**	(0.2)	**10.4**
Total comprehensive income		-	**1.4**	**65.1**	**9.2**	**75.7**	**1.6**	**77.3**
Transaction with non-controlling interests		-	(5.1)	-	-	**(5.1)**	(2.0)	**(7.1)**
Total transactions with non-controlling interests	27	**-**	**(5.1)**	**-**	**-**	**(5.1)**	**(2.0)**	**(7.1)**
Deferred payment in shares	27	-	(13.0)	-	-	**(13.0)**	-	**(13.0)**
Purchases of treasury shares		-	(0.9)	**-**	**-**	**(0.9)**	**-**	**(0.9)**
Share based payments	27	-	(10.2)	-	-	**(10.2)**	-	**(10.2)**
Total distributions and contributions		**-**	**(24.1)**	**-**	**-**	**(24.1)**	-	**(24.1)**
As at 31 December		**22.0**	**178.3**	**296.6**	**(29.7)**	**467.2**	**9.5**	**476.7**

		Attributable to the shareholders of the parent						
2018		Share capital	Reserves	Retained earnings	Translation reserve	**Total**	Non-controlling interest	**Total equity**
As at 1 January		**0.2**	**152.3**	**188.5**	**(29.6)**	**311.4**	**8.9**	**320.3**
Profit for the period		-	-	43.0	-	**43.0**	(1.7)	**41.3**
Other comprehensive income		-	(3.3)	-	(9.3)	**(12.6)**	(0.2)	**(12.8)**
Total comprehensive income		**-**	**(3.3)**	**43.0**	**(9.3)**	**30.4**	**(1.9)**	**28.5**
Non-controlling interest arising on business combinations		-	-	-	-	**-**	0.8	**0.8**
Transaction with non-controlling interests		-	-	-	-	**-**	2.1	**2.1**
Total transactions with non-controlling interests	27	**-**	**-**	**-**	**-**	**-**	**2.9**	**2.9**
Share capital increase from share premium		21.0	(21.0)	-	-	**-**	-	**-**
Issue of share capital		0.8	69.2	-	-	**70.0**	-	**70.0**
Transaction costs on issue of share capital		-	(1.0)	-	-	**(1.0)**	-	**(1.0)**
Deferred payment in shares	27	-	13.0	-	-	**13.0**	-	**13.0**
Purchases of treasury shares		-	(9.5)	-	-	**(9.5)**	-	**(9.5)**
Share based payments	27	-	6.4	-	-	**6.4**	-	**6.4**
Total distributions and contributions		**21.8**	**57.1**	**-**	**-**	**78.9**	**-**	**78.9**
As at 31 December		**22.0**	**206.1**	**231.5**	**(38.9)**	**420.7**	**9.9**	**430.6**

Notes 1- 45 are an integral part of these consolidated financial statements.
The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

Notes to the Consolidated Financial Statements

1. General information on the Group

AmRest Holdings SE ("The Company", "AmRest") was incorporated in the Netherlands in October 2000 and since 2008 the Company operates a European Company (Societas Europaea, SE). As at 31 December 2019 the Company's registered office was Enrique Granados 6, 28224 Pozuelo de Alarcón (Madrid), Spain. On 28 February 2020 the Company's registered office was changed to Paseo de la Castellana 163, 28046 (Madrid), Spain.

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

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

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

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

In 2018 the Group acquired the Bacoa and Sushi Shop brands, as a result of which it operates own and franchise restaurants in Spain (Bacoa) and own and franchise restaurants among the others in France, Belgium, Spain, United Arab Emirates, Saudi Arabia, Switzerland, United Kingdom, Luxembourg, Italy, Germany, Portugal, the Netherlands. Bacoa is a Spanish premium burger chain, and Sushi Shop is the operator of the leading European chain of Japanese cuisine restaurants.

Additionally among own brands the Group operates virtual brands Pokaï, Lepieje and 'Oi Poke.

As at 31 December 2019 the Group operates 2 339 restaurants (own and franchise) in comparison to 2 138 restaurants as at 31 December 2018.

(all figures in EUR millions unless stated otherwise)

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

Activity where AmRest is a franchisee					
Brand	**KFC**	**Pizza Hut Dine-In**	**Pizza Hut Express, Delivery**	**Burger King**	**Starbucks** [1)]
Franchisor/ Partner	KFC Europe Sarl (US Branch)	PH Europe Sarl (US Branch)	PH Europe Sarl (US Branch)	Burger King Europe GmbH	Starbucks Coffee International, Inc/Starbucks EMEA Ltd., Starbucks Manufacturing EMEA B.V.
Area covered by the agreement	Poland, Czechia, Hungary, Bulgaria, Serbia, Croatia, Russia, Spain, Germany, France, Austria, Slovenia	Poland	Poland, Czechia, Hungary, France, Russia, Germany, Slovakia. Possibility of opening in: Bulgaria, Serbia, Croatia, Slovenia	Poland, Czechia, Bulgaria, Slovakia, Romania	Poland, Czechia, Hungary, Romania, Bulgaria, Germany, Slovakia, Serbia
Term of agreement	10 years with possibility of extension for a further 10 years	10 years with possibility of extension for a further 10 years	10 years with possibility of extension for a further 10 years and 5 years	Poland, Czechia, Bulgaria, Slovakia, Romania – 20 years or 10 years [4)] Since 20 November 2018: 10 years for restaurants opened during the agreed development period.	15 years, possibility of extension for a further 5 years; in Romania till 10 October 2023 16 years, in Bulgaria till 1 October 2027 20 years
Preliminary fee	up to USD 52.2 thousand [2)]	up to USD 52.2 thousand [2)]	USD 26.1 thousand [2)]	USD 50 thousand or USD 25 thousand, in Czechia USD 60 thousand [4)] Since 20 November 2018: USD 30 thousand for restaurants opened during the agreed development period.	USD 25 thousand
Franchise fee	6% of sales revenues [3)]	6% of sales revenues [3)]	6% of sales revenues [3)]	5% of sales revenues, in Czechia (for 5 restaurants) 3% of sales revenues for first 5 years, then 5% Since 20 November 2018 for restaurants opened during the agreed development period: 3,5% of revenues in first 2 years growing to 4%, 4,5% and 5% in next years.	6% of sales revenues
Marketing costs	5% of sales revenues	5% of sales revenues	6% of sales revenues to 31 December 2021; 5% of sales revenues from 1 January 2022 to 31 December 2026 [3)]	5% of sales revenues, in Czechia 3% of sales revenues for first 3 years, then 5%. Since 20 November 2018 for restaurants opened during the agreed development period 4% or 5% of sales revenues (depending on the country) and 3% for flagships.	amount agreed each year

(all figures in EUR millions unless stated otherwise)

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

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

1) AmRest Group took up 82% and Starbucks 18% of the share capital of the newly-established companies in Poland, Czechia and Hungary. In the event of default, deadlock, or disputed take-over or change of control over AmRest Holdings SE and/or its shareholders, Starbucks will be entitled to increase its share to 100% by purchasing shares from the Group. Option upon termination for event of default or deadlock are symmetric for both parties, so that AmRest will also be entitle to exercise the option to purchase all of the Shares of Starbucks. According to Group assessment as at the day of these consolidated financial statements issuance there are no indicators making the mentioned above options realizable. The Group acquired 100% of shares in Romanian and Bulgarian entities, being the sole operators in these markets. In Germany the Group acquired 100% of shares in a key operator in this market.

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

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

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

(all figures in EUR millions unless stated otherwise)

2. Group Structure

As at 31 December 2019, the Group comprised the following subsidiaries:

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Ltd.	Birkirkara, Malta	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.U. [12, 17]	Madrid, Spain	AmRest Sp. z o.o.	100.00%	March 2011
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	100.00%	September 2011
AmRest China Group PTE Ltd	Singapore	AmRest Holdings SE	100.00%	December 2012
Bigsky Hospitality Group Ltd	Hong Kong, China	AmRest China Group PTE Ltd	100.00%	December 2012
New Precision Ltd [11]	Mriehel, Malta	AmRest China Group PTE Ltd	100.00%	December 2012
Horizon Consultants Ltd.[10]	Mriehel, Malta	AmRest China Group PTE Ltd	100.00%	December 2012
AmRest Management Kft	Budapest, Hungary	AmRest Kft	99.00%	August 2018
		AmRest TAG S.L.U.	1.00%	
GM Invest SRL	Brussels, Belgium	AmRest TAG S.L.U.	100.00%	October 2018
Sushi Shop Group SAS	Paris, France	GM Invest SRL	9.47%	October 2018
		AmRest TAG S.L.U.	90.53%	
AmRest France SAS	Paris, France	AmRest Holdings SE	100.00%	December 2018
Sushi Shop Management SAS	Paris, France	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Belgique SA	Bruxelles, Belgium	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Holding USA LLC	Dover Kent, USA	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Luxembourg SARL	Luxembourg	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Switzerland SA	Fribourg, Switzerland	Sushi Shop Management SAS	100.00%	October 2018
		Restaurant, franchise and master-franchise activity		
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czechia	AmRest Holdings SE	100.00%	December 2000
AmRest Kft	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	June 2006
AmRest Coffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	82.00%	March 2007
		Starbucks Coffee International Inc.	18.00%	
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Ltd.	44.72%	July 2007
		AmRest Sp. z o.o.	55.28%	
AmRest Coffee s.r.o.	Prague, Czechia	AmRest Sp. z o.o.	82.00%	August 2007
		Starbucks Coffee International,Inc.	18.00%	
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o.	82.00%	August 2007
		Starbucks Coffee International,Inc.	18.00%	
AmRest d.o.o.	Belgrade, Serbia	AmRest Sp. z o.o.	60.00%	October 2007
		ProFood Invest GmbH	40.00%	
Restauravia Food S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
Pastificio Service S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011
AmRest GmbH i.L.[1]	Cologne, Germany	AmRest TAG S.L.U.	100.00%	March 2012
AmRest SAS	Lyon, France	AmRest TAG S.L.U.	100.00%	April 2012
AmRest Adria 2 d.o.o.	Ljubljana, Slovenia	AmRest Sp. z o.o.	100.00%	August 2012
Frog King Food&Beverage Management Ltd	Shanghai, China	Bigsky Hospitality Group Ltd	100.00%	December 2012
Blue Frog Food&Beverage Management Ltd	Shanghai, China	New Precision Ltd	100.00%	December 2012
Shanghai Kabb Western Restaurant Ltd	Shanghai, China	Horizon Consultants Ltd.	100.00%	December 2012
AmRest Skyline GMBH	Cologne, Germany	AmRest TAG S.L.U.	100.00%	October 2013
Kai Zhen Food and Beverage Management (Shanghai) Ltd	Shanghai, China	BlueFrog Food&Beverage Management Ltd	100.00%	March 2014
AmRest Coffee EOOD	Sofia, Bulgaria	AmRest Sp. z o.o.	100.00%	June 2015

(all figures in EUR millions unless stated otherwise)

AmRest Coffee S.r.l.	Bucharest, Romania	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Food Srl. [8]	Bucharest, Romania	AmRest Sp. z o.o.	99.00%	July 2019
		AmRest Holdings SE	1.00%	July 2019
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.	23.00%	May 2016
		AmRest TAG S.L.U.	77.00%	
AmRest DE Sp. z o.o. & Co. KG	Berlin, Germany	AmRest Kaffee Sp. z o.o.	100.00%	December 2016
The Grill Concept S.L.U.	Madrid, Spain	Pastificio Service S.L.U.	100.00%	December 2016
Kai Fu Food and Beverage Management (Shanghai) Co. Ltd	Shanghai, China	Blue Frog Food&Beverage Management Ltd	100.00%	December 2016
LTP La Tagliatella Portugal, Lda	Lisbon, Portugal	AmRest TAG S.L.U.	100.00%	February 2017
LTP La Tagliatella Franchise II Portugal, Lda [5]	Lisbon, Portugal	AmRest TAG S.L.U.	100.00%	April 2019
AmRest AT GmbH	Vienna, Austria	AmRest Sp. z o.o.	100.00%	March 2017
AmRest Topco France SAS	Paris, France	AmRest France SAS	100.00%	May 2017
AmRest Delco France SAS	Paris, France	AmRest Topco France SAS	100.00%	May 2017
AmRest Opco SAS [3]	Paris, France	AmRest France SAS	100.00%	July 2017
OOO Chicken Yug	Saint Petersburg, Russia	OOO AmRest	100.00%	October 2017
OOO AmRest Pizza [4]	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Ltd.	99.999996%	November 2017
		OOO AmRest	0.000004%	
AmRest Coffee SRB d.o.o.	Belgrade, Serbia	AmRest Holdings SE	100.00%	November 2017
AmRest Chamnord SAS	Paris, France	AmRest Opco SAS	100.00%	March 2018
AmRest SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o.	99.00%	April 2018
		AmRest Sp. z o.o.	1.00%	
AmRest Pizza GmbH	Munich, Germany	AmRest DE Sp. z o.o. & Co. KG	100.00%	June 2018
Black Rice S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	July 2018
Bacoa Holding S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	July 2018
Sushi Shop Restauration SAS [18]	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Orphus SARL [7]	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
CMLC Troyes [9]	Troyes, France	Sushi Shop Management SAS	100.00%	July 2019
Sushiga SARL	Paris France	Sushi Shop Management SAS	50.00%	October 2018
		Emmanuel GARFIN	50.00%	
SSW 1 SPRL	Waterloo, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
SSW 2 SPRL	Wavre, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi House SA	Luxembourg	Midicapital	14.00%	October 2018
		Sushi Shop Luxembourg SARL	86.00%	
Sushi Sablon SA	Bruxelles, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop London Pvt LTD	London, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Louise SA	Bruxelles, Belgium	Sushi Shop Belgique SA	54.80%	October 2018
		Midicapital	45.20%	
Sushi Shop UK Pvt LTD	Charing, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Uccle SA	Uccle, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop Anvers SA	Bruxelles, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop Geneve SA	Geneva, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Lausanne SARL	Lasanne, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Madrid S.L. [6]	Madrid, Spain	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Milan SARL	Milan, Italy	Sushi Shop Management SAS	70.00%	October 2018
		Vanray SRL	30.00%	
Sushi Shop NE USA LLC	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop NY1	New York, USA	Sushi Shop Holding USA LLC	64.00%	October 2018
		Sushi Shop NE USA LLC	36.00%	
Sushi Shop NY2	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop International SA	Bruxelles, Belgium	Sushi Shop Group SAS	99.90%	October 2018
		Sushi Shop Belgique SA	0.10%	
Sushi Shop Zurich GMBH	Zurich, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Nyon SARL	Nyon, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop NL B.V.	Amsterdam, Netherlands	Sushi Shop Group SAS	100.00%	October 2018

(all figures in EUR millions unless stated otherwise)

Financial services and others for the Group				
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2012
La Tagliatella International Kft	Budapest, Hungary	AmRest TAG S.L.U.	100.00%	November 2012
La Tagliatella Financing Kft [2]	Budapest, Hungary	AmRest TAG S.L.U.	100.00%	November 2012
La Tagliatella SAS	Lyon, France	AmRest TAG S.L.U.	100.00%	March 2014
AmRest FSVC LLC	Wilmington, USA	AmRest Holdings SE	100.00%	November 2014
AmRest Kaffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2016
AmRest Estate SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
AmRest Leasing SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
OOO RusCo Food [14]	Saint Petersburg, Russia	AmRest Management Kft	100.00%	August 2018
AmRest Trademark Kft „v.a" [13]	Budapest, Hungary	AmRest Management Kft	100.00%	September 2018
AmRest Franchise Sp. z o.o. [15]	Wrocław, Poland	AmRest Sp. z o.o.	100.00%	December 2018
Supply services for restaurants operated by the Group				
SCM Czech s.r.o.	Prague, Czechia	SCM Sp. z o.o.	90.00%	March 2007
		Ondrej Razga	10.00%	
SCM Sp. z o.o. [16]	Warsaw, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		R&D Sp. z o.o.	33.80%	
		Beata Szafarczyk-Cylny	5.00%	
		Zbigniew Cylny	10.20%	

[1] On 25 November 2016 Amrestavia, S.L.U. (AmRest Tag S.L.U. after the merger described in point 12 below), the sole shareholder of AmRest GmbH, decided to liquidate this company. The liquidation process has not been finished up until the date of these consolidated financial statements.
[2] On 5 September 2017 Amrestavia, S.L.U. (AmRest Tag S.L.U. after the merger described in point 12 below), the sole shareholder of La Tagliatella Financing Kft, decided to liquidate this company. The liquidation process has not been finished up until the date of these consolidated financial statements.
[3] On 1 January 2019 Versaillies Resto SAS was merged into AmRest Opco SAS.
[4] On 16 April 2019 OOO Pizza Company has changed the company name for OOO AmRest Pizza.
[5] On 16 April 2019 was registered new company LTP La Tagliatella II Franchise Portugal Lda.
[6] On 12 July 2019 Sushi Shop Management SAS has acquired 23% of shares of Sushi Shop Madrid S.L.
[7] On 16 July 2019 Sushi Shop Management SAS has acquired 15% of shares of Orphus SARL.
[8] On 17 July 2019 was registered AmRest Food Srl. with registered office is Bucharest, Romania. Company has two shareholders: AmRest Sp. z o.o. owns 99% of shares, AmRest Holdings SE owns 1% of shares.
[9] On 2 July 2019 Sushi Shop Management SAS finalized acquisition of 100% shares of CMLC Troyes.
[10] With effect from 14 October 2019 Horizon Group Consultants has changed its domicile from British Virgin Islands to Malta. The new company name is Horizon Consultants Ltd.
[11] With effect from 4 November 2019 New Precision Ltd. has changed its domicile from Samoa to Malta.
[12] On 1 October 2019 AmRestavia, S.L.U. and Restauravia Grupo Empresarial, S.L. were merged into AmRest Tag S.L.U. On mentioned date all assets of merged companies have been taken by AmRest Tag S.L.U.
[13] On 21 October 2019 the voluntary liquidation process of AmRest Trademark Kft (Hungary) started. On the same date the Company changed name for AmRest Trademark Kft. „v.a"
[14] On 15 November 2019 was registered the beginning of OOO RusCo Food liquidation process.
[15] On 25 November 2019 AmRest Sp. z o.o. became sole shareholder of AmRest Franchise Sp. z o.o., through the purchase agreement of the remaining 1% of shares .
[16] On 2 December 2019 SCM Due Sp. z o.o. was merged into SCM Sp. z o.o. On mentioned date all assets of merged company have been taken by SCM Sp. z o.o.
[17] On 26 December 2019 AmRest Capital Zrt. (Hungary) was merged into AmRest Tag S.L.U. On mentioned date all assets of merged company have been taken by AmRest Tag S.L.U.
[18] During first half year of 2019 Sushi Shop Group made reorganization with the purpose of simplifying the operational structure. Within the reorganization some stores within restaurant activity were bought out by Sushi Shop Management SAS and Sushi Shop Restauration SAS and merged into Sushi Shop Management SAS and Sushi Shop Restauration SAS. On 28 June 2019, after the publication of the prospected merger for opposition purposes with the official publication, registration of merger was proceeded. The following entities were merged into Sushi Shop Restauration SAS and ceased operation as a separate companies: Sushi Courbevoie Developpement SARL, Sushi Shop Villers SARL, Sushi Antibes Developpement SAS, Sushi Shop Corner SAS, Bottega Romana Boetie SARL, Sushi Shop ST Dominique SARL, Sushi Shop Traiteur SARL, Sushi Shop Secretan SARL, Sushi Shop Vincennes SARL, Sushi Shop Martyrs SARL, Sushi Shop Lepic SARL, Sushi Shop Courcelles SARL, Sushi Shop Levallois SARL, Sushi Toulouse Developpement SARL, Sushi Shop Toulouse 3 SARL, Sushi Nice Developpement SAS, Sushi Nice 2 SARL, Sushi Shop Vieux Lille SAS, Sushi Shop Lille Centre SAS, SSC – Sushi Shop Cauderan SAS, SSBC – Sushi Shop Bordeaux Chartrons SAS, SSB Sushi Shop Bordeaux SAS, SSM – Sushi Shop Merignac SAS, Art Sushi Marseille SAS, ART Sushi Delibes SARL, ART Sushi ST Barnabe SARL, Sushi Marseille Developpement SARL, Altana SAS, Tomemma SAS, Gelau SAS, Sushinantes SAS, AIX Sushi House SAS, Sushi Grand Ouest

SAS, Sushi Shop Tours SARL, Sushi Shop Angers SARL, Sushi Shop Caen SARL, Sushi Shop La Rochelle SARL, Sushi Shop Le Mans SARL, HP2L SAS, Sushi Corner Saint Gregoire SARL, Sushi Shop Rennes Nemours SARL, Sushi Shop Rouen SAS, Black Box SAS, Sauboget SARL, RCP SARL, Bontor SAS, Zen'itude SAS, Sushi 54 SAS, Sushi 21 SAS, CR Developpement SAS, Sushi Lyon 64 SAS.

- On 31 January 2019 Sushi Shop Management SAS sold 100% of shares of Sushi Shop Amiens SARL to RM RESTAURANTES SAS. Effective date of transaction is 1 February 2019.
- On 13 March 2019 AmRest Holding SE has acquired 49% of shares of Restaurant Partner Polska Sp. z o.o. On this day AmRest Holdings SE has become sole shareholder of Restaurant Partner Polska Sp. z o.o.
- On 28 October 2019 AmRest Holdings SE lost control over Restaurant Partner Polska Sp. z o.o. as a result of transaction of sales of 100% shares with Glovoapp23, S.L.

3. Basis of preparation

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

These consolidated financial statements were authorised for issue by the Company's Board of Directors on 28 February 2020.

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

Details of the Group's accounting policies are included in note 43.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

Since 1 January 2019 Group applied for the first time IFRS 16 Leases. Application of this standard has a material impact on Group's consolidated statement of financial position, as well consolidated income statement and consolidated cash flows statement. Disclosures on the impact of IFRS 16 on the Group's financial information as at 1 January 2019 are disclosed in note 5.

Group applied IFRS 16 Leases using the modified retrospective approach. Under this approach, on initial recognition, the Group recognise the same balance of the right-of-use assets and lease liabilities, and implementation of standard does not have impact on Group's equity. Comparative data are not restated.

As a consequence comparative data presented in these consolidated financial statements are not fully comparable to reporting period data.

Several other amendments and interpretations apply for the first time in 2019, but do not have any material impact on the consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. Use of judgements and estimates

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

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

Judgements

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

Determination of the lease term, whether the Group is reasonably certain to exercise extension or termination options

For majority of contracts the Group holds options for extension/termination of the lease period, on a specified conditions. The Group's practice is to assess the reasonableness of exercising options one year before the decision deadline, because in that time all relevant facts and circumstances to make such a decision can be generally available. The Group considers, for example, latest performance of the restaurant, present brand strategy revised during budgeting process, comparison of lease fees to the market average, length of the non-cancellable period of a lease and significance of leasehold improvements recently undertaken (or expected to be undertaken).

The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Revenue from contracts with customers

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

Estimates and assumptions

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

Impairment of non-financial assets including goodwill

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

Accounting policies for impairment testing of non-financial assets are disclosed in note 43k.

The key assumptions used to determine the recoverable amount of the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 20.

Assessment of useful lives

Determination and periodic verification of depreciation rates is made on the basis of the technical abilities of a given asset, together with planned form and intensity of usage, with simultaneous consideration of experience and legal obligations influencing usage of the given asset. Sensitivity on changes in average useful lives is disclosed in note 16.

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

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 39.

Share-based payments

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

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

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses a finite difference method. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 33.

Recognition of provisions for potential tax obligations and uncertain tax provisions

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

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

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

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

Details of current tax inspections open in Group entities are presented in note 35.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Details of deferred tax assets are disclosed in note 15.

Fair value measurements

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

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

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

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

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

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

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

- Note 7 – Business combinations,
- Note 21 – Financial assets measured at fair value.

5. Adoption of IFRS 16

The Group initially applied IFRS 16 "Leases" (IFRS 16) from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Until 31 December 2018, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. Since 1 January 2019 the Group assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.
At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

AmRest as a lessee

In current business model the Group leases properties in order to operate brand restaurants. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In general the Group's rental agreements may include:

(all figures in EUR millions unless stated otherwise)

- fixed monthly charge for rented space (fixed lease payments),
- rent calculated as a percentage of restaurant's turnover (variable lease payments),
- higher of above two, i.e. minimal base rent and turnover rent.

For individual stores there is a wide range of sales turnover rent ratios applied.

As AmRest Group operates restaurants in various countries, different practices in rental contracts exist:

- for some contracts, apart from fixed fee, an amount representing percentage of sales is charged, if exceeds fixed fee (variable lease payments); the ratio generally varies from 3-13%,
- lease term varies depending on the country and business environment,
- lease contracts may have extension options, that are available for different periods of time,
- currency of the rental agreement may be different then functional currency of the subsidiary, as lessors charge the rent not only in local currency, but also based on EUR or USD.

Transition

Until 31 December 2018, operating leases were off-balance sheet. The Group used to recognise operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there is a timing difference between actual lease payments and the expense recognised.

Under IFRS 16 the Group has recognised new assets and liabilities for its operating leases. The Group used the modified retrospective approach, meaning that comparatives were not restated.

At transition, for leases classified as operating leases under IAS 17 lease liabilities were measured at the present value of the remaining lease payments, considering determined lease term and discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term,
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application,
- relied on its assessment of whether leases are onerous, applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application.

The Group leases a number of cars that were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impact on financial statements

Impact on transition

The change in accounting policy due to adoption of IFRS 16 affected the following items in the balance sheet on 1 January 2019:

	1 January 2019
Right-of-use assets	799.5
Property, plant and equipment	(2.7)
Other intangible assets	(0.4)
Other current assets (prepayments)	(9.0)
Lease liabilities – non-current	664.0
Lease liabilities – current	124.3
Other non-current liabilities	(0.6)
Provisions	(0.3)

The table below reconciles the difference between:

(all figures in EUR millions unless stated otherwise)

- operating lease commitments disclosed applying IAS 17 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application, and
- lease liabilities recognised in the statement of financial position at the date of initial application.

Operating lease commitments as at 31 December 2018	**926.8**
Weighted average incremental borrowing rate as at 1 January 2019	3.1%
Discounted operating lease commitments at 1 January 2019	**784.5**
Less:	
Commitments relating to short-term leases and leases of low-value assets	(9.0)
Other	(2.8)
Add:	
Commitments relating to leases previously classified as finance leases	2.4
Payments in optional extension periods not recognised as at 31 December 2018	15.7
Lease liabilities as at 1 January 2019	**790.8**

Impact on reported income statement items:

From the transition, the nature of expenses related to the leases has changed. Each lease payment (accounted as operating expenses before 1 January 2019) is allocated between the liability reduction and finance cost. The finance cost is charged to profit or loss over the lease period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Under IFRS 16 only fixed lease payments are accounted through IFRS 16 lease model. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs. Turnover rent therefore is accounted as operating expenses.

Consequently, after implementation of IFRS 16 Group recognizes:

- Lower operating occupancy and rent costs (as fixed rental costs are recognized within lease accounting model, and only variable lease payments, short term leases and low value leases remain an EBITDA type operating costs)
- Higher depreciation charge (additional deprecation of right-of-use assets)
- Higher interest cost (on lease liabilities)
- Additional foreign exchange valuation effect on lease denominated in foreign currencies
- Respective impact on deferred taxes

Impacts for the reporting period is presented in the note 17.

Cash flows relating to leases is presented as follows:

- cash payments for variable lease payment as cash from operating activities,
- cash payments for the principal and interests portion of the lease liabilities as cash from financing activities.

Deferred tax impact

Deferred tax is calculated based on a difference between carrying amount of lease asset and lease liability which is equal to difference between depreciation increased by interests and tax deductions (lease invoices values). Deferred tax is calculated using each country applicable income tax rate.

6. Segment reporting

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

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

(all figures in EUR millions unless stated otherwise)

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

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

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

Segment measures and the reconciliation to profit/loss from operations for the year ended 31 December 2019 and for the comparative year ended 31 December 2018 is presented below. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

year ended 31 December 2019	**CEE**	**Western Europe**	**Russia**	**China**	**Other**	**Total**
Restaurant sales	838.5	721.0	206.5	89.5	0.1	1 855.6
Franchise and other sales	0.8	75.6	0.1	0.1	29.3	105.9
Inter-segment revenue	-	-	-	-	-	-
Segment revenue	**839.3**	**796.6**	**206.6**	**89.6**	**29.4**	**1 961.5**
EBITDA	**184.8**	**127.0**	**39.8**	**24.1**	**18.7**	**394.4**
Depreciation and amortisation	106.8	91.4	31.5	18.6	1.0	249.3

(all figures in EUR millions unless stated otherwise)

Net impairment losses on financial assets	-	3.6	0.3	0.1	0.1	4.1
Net impairment losses on other assets	1.9	32.0	2.2	(0.7)	-	35.4
Profit/loss from operations	**76.1**	**0.0**	**5.8**	**6.1**	**17.6**	**105.6**
Finance income and costs	(12.7)	(9.6)	(1.8)	(1.1)	13.0	(12.2)
Profit before tax	**63.4**	**(9.6)**	**4.0**	**5.0**	**30.6**	**93.4**
Capital investment*	**91.3**	**80.1**	**23.0**	**7.1**	**0.3**	**201.8**

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

As mentioned above segment data include effect of application of IFRS 16 in 2019.

For comparative purposes Group presents key measures for 2019 results, as if IFRS 16 was not implemented.

year ended **31 December 2019**	**CEE**	**Western Europe**	**Russia**	**China**	**Other**	**Total**
EBITDA without IFRS 16 effect	125.5	70.9	21.7	11.3	18.4	247.8
Profit/loss from operations without IFRS 16 effect	70.3	(0.2)	6.1	6.2	17.6	100.0

Segment reporting data in prior periods were not restated to reflect the implementation of IFRS 16.

year ended **31 December 2018**	**CEE**	**Western Europe**	**Russia**	**China**	**Other**	**Total**
Restaurant sales	716.2	502.6	168.2	73.6	-	1 460.6
Franchise and other sales	1.4	67.2	0.4	-	17.3	86.3
Inter-segment revenue	-	-	-	-	-	-
Segment revenue	**717.6**	**569.8**	**168.6**	**73.6**	**17.3**	**1 546.9**
EBITDA	**104.5**	**57.6**	**21.7**	**7.1**	**(17.7)**	**173.2**
Depreciation and amortisation	47.1	28.8	10.5	5.0	0.7	92.1
Net impairment losses on financial assets	-	1.5	-	-	-	1.5
Net impairment losses on other assets	2.3	4.5	0.8	0.4	-	8.0
Profit/loss from operations	**55.1**	**22.8**	**10.4**	**1.7**	**(18.4)**	**71.6**
Capital investment*	**87.7**	**212.2****	**22.2**	**9.0**	**0.5**	**331.6**

**Capital investment comprises additions and acquisition in property, plant and equipment and intangible assets. **The comparative data were restated for the effect of final PPA accounting described in note 7 and 44.*

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

Information on geographical areas:

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

		year ended **31 December 2019**	**31 December 2018**
Revenue from external customers	Poland	464.8	409.4
	Czechia	199.8	169.6
	Spain	281.1	244.8
	France	298.7	147.7
	Germany	176.9	170.4

	31 December 2019	**31 December 2018**

Total of non-current assets other than financial instruments and deferred tax assets	Poland	379.3	165.2
	Czechia	139.7	47.1
	Spain	443.1	268.6
	France	438.5	360.2*
	Germany	186.3	89.7

** The comparative data were restated for the effect of final PPA accounting described in note 7 and 44.*

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

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

7. Business combinations

There were no material business combinations in 2019: Group acquired two KFC restaurants and three Sushi Shop restaurants in Spain for EUR 3.2 million. These acquisitions resulted in increase of goodwill by EUR 2.8 million, on a provisional basis.

In 2019 AmRest Group performed final reconciliation of purchase price accounting for Sushi Shop Group, KFC France and Bacoa.

Final purchase price allocation of Bacoa acquisition did not differ from preliminary accounting as presented in prior reporting. Consequently, final purchase price allocation did not result in a restatement of the comparative statement of financial position, income statement or cash flow. During year 2019 the Group has paid holdback amounted to EUR 0.2 million which is presented within investment activity of statement of cash flow.

Effect of final purchase price allocation for SushiShop Group as well second acquisition of KFC in France is disclosed below. Note 44 summarizes effect of the restatements in statements of financial position.

Acquisition of Sushi Shop Group

<u>Description of the acquisition</u>

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

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

Sushi Shop is the operator of the leading European chain of Japanese cuisine restaurants comprising over 160 shops of which about one third are run by franchisees. At acquisition Sushi Shop shops are present in France (72% of the entire business) and in 11 other countries (including Spain, Belgium, Great Britain, Germany, Switzerland, Italy). The Group's business model is based mainly on the "delivery" (55% of sales) and "take-away" (32% of sales) channels.

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

The Group acquired 100% of the shares in GM Invest, which was one of the direct shareholders of Sushi Shop Group SAS, together with the remaining shares in Shushi Shop Group SAS from Sellers. As a result, AmRest Group holds 100% of the shares in Sushi Shop Group SAS. Sushi Shop Group SAS was the parent company of over 80 subsidiaries, with minor non-controlling interests in certain entities. GM Invest and Sushi Shop Group SAS capital group are referred to jointly as Sushi Shop Group (SSG).

(all figures in EUR millions unless stated otherwise)

Allocation of the acquisition price

In the fourth quarter of 2019, the Group finalized the process of identifying the liabilities and assets portfolio of the acquired Sushi Shop restaurants.

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

On the closing date AmRest paid approx. EUR 133.5 million for shares and EUR 78.1 million in the form of repayment of external SSG debts. In provisional accounting in year 2018, acquisition price took into account the initially proposed adjustment as submitted by AmRest Group (EUR 10.3 million of purchase price reduction).

The final purchase price was determined in 2019 between parties upon verification of the balances of assets and liabilities on the closing date. In the Settlement Agreement executed on 7 June 2019 the sellers and AmRest agreed that the final purchase includes downward adjustment in favor of AmRest of approx. EUR 10 million. At the same time changes in final cash settlement were negotiated related to escrow payment and EUR 13 million payment to Sellers (Mr. Grégory Marciano and Mr. Adrien de Schompré).

The final price adjustment of above 10m EUR was paid by the sellers to AmRest by way of set off (compensation) against the deferred payment amount retained by AmRest. Additionally an escrow amount EUR 8 million was deposited with the escrow agent, to secure the Sellers' obligations contained in the amended SPA. The escrow amount will be released to the Sellers' in case of general warranties and representations contained in the SPA are satisfied and the general warranties and representations are verifying conditions that existed at the acquisition date.

In the amended SPA parties also agreed that an equivalent of EUR 13 million planned to be paid to Mr. Grégory Marciano and Mr. Adrien de Schompré in the AmRest's shares was paid in cash in June, 2019.

The acquisition price as agreed in the SPA also included a contingent consideration element in the form of an earn-out. The parties agreed that if 2018 EBITDA exceeded a certain level, the Sellers would receive an additional payment, up to EUR 10.0 million to the acquisition price. As the agreed threshold was not met, the contingent consideration element was deemed to be zero for the acquisition price determination. No subsequent changes in the estimate of contingent consideration were recognized.

Summary of acquisition price determination:

Amount paid in cash on closing- payment in 2018	211.6
Post-acquisition settlement of initial purchase price with Sellers- payment in 2019	8.0
Deferred payments in shares accounted as equity, finally settled in cash- payment in 2019	13.0
Total acquisition price	**232.6**

A qualified and well-known external expert was appointed to carry out the fair value of selected net assets acquired, as well to support Group in identification of unrecognized intangible assets.

As a result of the acquisition, based on the valuation performed, Group has recognized the "Sushi Shop" brand at EUR 86.1 million (provisional value accounted in 2018 EUR 92 million). Sushi Shop brand's value has been determined using the income approach (relief from royalty). Key assumptions for the applied relief-from-royalty method include royalty income of 5.4%. The useful life of the brand had been assessed to be indefinite – respective terminal value has been estimated using a 1.65% perpetual growth rate. The after-tax cash flows and terminal value have been discounted using the market discount rate, increased by a 3p.p. premium reflecting the intangible assets' liquidity risk. Adopted discount rate and specific risk premium was assessed by external expert to be within market range.

The Group recognized customer relationship intangible asset related to "Come in" loyalty program. It represents the marketing tool supporting sales, and consequently it was subject of more detailed analysis and valuation. Valuation of intangible asset related to customer relationships for the purpose of purchase price allocation in compliance with IFRS was conducted using 'multi period excess earnings' method under income approach. The value of client relationships related to customer database was calculated at EUR 6.2 million. The useful life of this intangible asset was assumed to be 10 years.

Group recognized the value of relations with franchisees related to supply chain management at EUR 2.7 million as intangible asset. The useful life of this intangible asset was assumed to be 4 years and represent average period of remaining franchise agreements duration.

As the result of analysis of rental agreements, the Group recognized intangible assets (key monies) totaling EUR 14.1 million as at the acquisition date.

The Group has acquired tangible assets amounting to EUR 16.5 million and property plant and equipment was subject to valuation of external valuation expert.

The fair value of acquired trade and other receivables is EUR 11.5 million. The gross contractual amount for receivables due is EUR 16.5 million, of which EUR 5 million is expected to be uncollectible.

A deferred tax liability amounting to EUR 22.8 million was also recognized for differences between tax and accounting values.

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

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

None of the acquired assets and liabilities will be subsequently measured at fair value, therefore the requirements of IFRS 13 to disclose fair value measurement techniques do not apply.

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

Sushi Shop Group	**Fair value EUR million**
Property, plant and equipment	16.5
Trademark	86.1
Other intangible assets	23.0
Other assets	3.5
Inventories	1.3
Trade and other receivables	11.5
Income tax receivable	0.8
Cash and cash equivalents	8.1
Total assets	150.8
Provisions	3.0
Deferred tax liabilities	22.8
Trade payables	10.4
Other liabilities	20.2
Total liabilities	56.4
Net assets acquired	**94.4**
Acquisition price	232.6
Non-controlling interest within SSG	0.8
Less net assets acquired and liabilities assumed	(94.4)
Goodwill	**139.0**

Note 44 shows impact of restatement in statement of financial position as at 31 December 2018 due to final purchase price accounting of Sushi Shop acquisition.

Cash flows related to acquisition are as follows:

	31 December 2019	**31 December 2018**
Amount paid in cash	21.0	211.6
Acquired cash and cash equivalents	-	(8.1)
Net cash outflows on acquisition	**21.0**	**203.5**

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

Allocation of goodwill to groups of cash generating units where goodwill-related synergies will be realized, have been finalized. Goodwill is allocated to Sushi Shop business operation within Western Europe territory.

Impact on the consolidated income statement

Final purchase price accounting had no material impact on comparative data in income statement, and consequently the data were not restated.

The acquisition costs of EUR 0.6 million have been recognized as general and administrative expense, and in operating cash flows in the statement of cash flows in 2018.

Further expansion to the KFC French restaurant market

Description of the acquisition

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

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

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

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

KFC restaurants in France are operated within AmRest Opco SAS and two of its subsidiaries: AmRest Leasing SAS and AmRest Estate SAS. One restaurant has been acquired by the purchase of the shares of Versailles Resto SAS, a company which has merged with AmRest Opco SAS on 1 January 2019.

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

AmRest Opco SAS group	**Fair value EUR million**
Cash and cash equivalents	0.1
Property, plant and equipment	22.2
Intangible assets	4.0
Inventories	0.2
Deferred tax asset	2.0
Asset related to right to compensation resulting from the acquisition agreement	0.8
Employee related accruals	(0.8)
Deposit, prepaid rent and other assets	0.6
Payables	(0.5)
Provisions	(0.7)
Net assets acquired	**27.9**
Acquisition price	34.4
The fair value of net assets	27.9
Goodwill	**6.5**

Cash flows related to acquisition are as follows:

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

Allocation of the acquisition price

In the fourth quarter of 2019, the Group finalized the process of identifying the liabilities and assets portfolio of the acquired KFC France restaurants.

A qualified and well-known external expert was appointed to carry out the fair valuation of restaurants assets taken over in the context of an acquisition process.

During final purchase price allocation, construction and leasehold improvement parts of freeholds amounted to EUR 2.8 million have been identified. As a result, transfer between land and buildings has been booked, not changing property, plant and equipment line. Also, key money amounted to EUR 3.4 million has been identified as intangible asset which meets the identification criteria. As a result of the acquisition, based on the valuation performed, the Group has acquired land amounting to EUR 4.6 million, leasehold improvements amounting to EUR 6.6 million, and machinery and other tangible assets amounting to EUR 11.0 million. Total intangible assets acquired, including key money amounted to EUR 4.0 million.

Within the transaction, a transfer of employees also took place. Employee-related accruals, such as holiday pay accrual and any potential bonuses were accounted for with the corresponding recognition of receivables from the seller (YUM receivable), as transfer of those accruals is subject to reimbursement from the seller. Employee-related accrual recognised in an amount of EUR 0.8 million, equal to the asset related to the right to compensation, was repaid by Yum. In addition, provision for the estimated costs of bringing the location to the condition it was in before the lease agreement was signed was recognised, amounting to EUR 0.7 million.

A deferred tax asset amounting to EUR 2.0 million was also recognised for temporary differences between tax and accounting values of acquired assets and liabilities.

The Group also covered initial fees for all new stores, which were added to the purchase price. Initial fee payments for the granting of franchise rights and use of the KFC trademark amounted to EUR 0.6 million and have been recognised on the balance sheet as an intangible asset on the acquisition date.

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

Due to the fact that from a legal perspective the purchase of 14 restaurants was structured as an asset deal, and the purchase of one restaurant as a share deal, no material payables have been acquired.

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

As a result, goodwill of EUR 6.5 million was recognised.

None of the acquired assets and liabilities will be subsequently measured at fair value, therefore the requirements of IFRS 13 to disclose fair value measurement techniques do not apply.

Impact on the consolidated income statement

Final purchase price accounting had no material impact on comparative data in income statement, and consequently the data were not restated.

Group incurred a total of EUR 1.8 million in transaction-related costs, including registration fees, that were recognised in the income statement of 2018 on this transaction. The high level of acquisition-related costs results from the obligatory registration and notary fees paid.

8. Loss of control

On 13 August 2019 the Group signed the agreement with Glovoapp23, S.L. ("Glovo") for the transfer from AmRest to Glovo of 100% shares in Restaurant Partner Polska Sp. z o.o. ("Pizza Portal"). Assets and liabilities of Pizza Portal was classified as a disposal group held for sale.

(all figures in EUR millions unless stated otherwise)

On 28 October 2019, due to satisfaction of conditions precedent, AmRest transferred 100% of shares in Pizza Portal to Glovo. The agreed transaction price amounted to EUR 35 million, including earn-out as the price conditions have been met. In consideration for the transfer of 100% of shares in Pizza Portal, AmRest was entitled to a combination of cash payment of up to EUR 20 million and newly issued shares of Glovo, with the remaining part of consideration to be received in newly issued shares.

Based on the sale agreement provisions to determine the number of shares to be transferred to AmRest a non-cash part of the consideration was divided by a per share price from share capital increase with agreed discount. The Group assessed fair value of newly issued shares amounted to EUR 17.6 million. Cash consideration, in line with arrangements from the agreement, has been paid to the Group in January 2020. The share capital increase took place in Glovo in December 2019. New shares were registered as AmRest's also in January 2020.

Details of the loss of control accounting:

	31 December 2019
Consideration receivable:	
Cash element fair value	20.0
Shares element fair value (note 21)	17.6
Total disposal consideration	**37.6**
Carrying amount of net assets disposed	0.5
Gain on sale (note 11)	**37.1**

Gain on sale has been recognised in other operating income line in consolidated income statement for the year ended 31 December 2019.

As at the date of sale of subsidiary, the Group has reclassified foreign translation reserve to profit and loss. The amount is immaterial.

Cash consideration receivables as at 31 December 2019 were presented within "Trade and other receivables" position. Cash consideration was received in January 2020, as agreed in agreement with Glovo.

The carrying amounts of assets and liabilities as at the date of loss of control:

Assets	
Right-of-use assets	0.1
Goodwill	0.7
Intangible assets	1.7
Trade and other receivables	0.5
Cash and cash equivalents	1.0
Total assets	**4.0**

Liabilities	
Deferred tax liabilities	0.3
Trade and other payables	1.8
Loans and borrowings	1.4
Total liabilities	**3.5**

9. Revenues

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

- Restaurant sales,
- Franchise and other sales.

(all figures in EUR millions unless stated otherwise)

This is reflected in the format of Group's consolidated income statement. Additional disaggregation by geographical market is included in the note 6.

Restaurant sales

Restaurant revenues are the most significant source of revenues representing over 94% of total revenues.

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

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

Franchise and other sales

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

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

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

10. Operating costs and losses

AmRest Group presents consolidated income statement using a classification based on function of expense method. Historically consolidated income statement was prepared by function – since AmRest was quoted on the Warsaw Stock Exchange in 2005, which is a common practice on Polish market. Group considers that analysis of restaurant expenses, franchise and other expenses – and information regarding result in the functional area provides more relevant information. The table below presents an additional analysis of operating expenses by nature.

	year ended	
	31 December 2019	**31 December 2018** *(restated*)*
Depreciation of property, plant and equipment (note 16)	98.5	80.3
Amortisation of intangibles (note 18)	13.9	11.8
Depreciation of right-of-use assets (note 18)	136.9	-
Food, merchandise and other materials	593.7	476.8
Utilities	75.4	60.8
External services – marketing	81.1	68.2
External services – other	115.8	83.2
Payroll	470.4	358.0
Social security and employee benefits	119.5	92.0
Operating leases (occupancy cost)	26.3	143.4
Royalties	94.4	77.0
Insurance	1.9	1.1
Business travel	12.2	10.7
Other	21.8	16.7
Total cost by nature	**1 861.8**	**1 480.0**
Result on restaurants and non-current assets disposal	1.5	(2.7)
Total operating costs and losses	**1 863.3**	**1 477.3**

** The comparative data were restated as a result of an reclassification adjustment described also in note 44. Group changed the presentation of costs incurred from external providers for services of delivery of products. In prior periods*

(all figures in EUR millions unless stated otherwise)

Group presented both internal costs and external costs as payroll. Currently the delivery fee is presented as external services.

The reclassification adjustment resulted in change of EUR 17,9 million for the year ended 2018 between external services – other (increase) and payroll (decrease).

Summary of operating expenses by functions:

	year ended	
	31 December 2019	**31 December 2018**
Restaurant expenses	1 642.3	1 299.9
Franchise and other expenses	73.7	62.3
Total cost of sales	**1 716.0**	**1 362.2**
General and administrative expenses	147.3	115.1
Total operating costs and losses	**1 863.3**	**1 477.3**

11. Other operating income/expenses

	year ended	
	31 December 2019	**31 December 2018**
Gain on Pizza Portal investment disposal (note 8)	37.1	-
Supply chain services	7.0	4.6
Compensations, Insurance gains	5.2	1.7
Reversal of provisions	2.3	1.4
Proceed received on prior years tax claims	0.4	2.5
Gain on bargain purchase	-	1.0
Other income	2.9	2.1
Registration and notary costs related to the acquisition in France	-	(1.8)
Provision for resetting master-franchise agreements	(8.0)	-
	46.9	**11.5**

12. Impairment losses

Details of impairments losses recognized:

	year ended	
	31 December 2019	**31 December 2018**
Impairment on trade receivables (note 39)	4.1	1.5
Net impairment losses on financial assets	**4.1**	**1.5**
Impairment of property, plant and equipment (note 16)	10.2	7.1
Impairment of intangible assets (note 18)	5.8	0.9
Impairment of right of use assets (note17)	6.0	-
Impairment of goodwill (note 19)	13.4	**-**
Net impairment losses of other assets	**35.4**	**8.0**
Total net impairment losses of assets	**39.5**	**9.5**

13. Finance income

	year ended	
	31 December 2019	**31 December 2018**
Income from bank interest	0.5	0.8
Fair value measurement of FVTPL (note 21)	31.7	1.9
Net income from foreign exchange differences	**1.5**	**-**
Net income from foreign exchange differences on lease liability	0.5	-

(all figures in EUR millions unless stated otherwise)

	year ended 31 December 2019	31 December 2018
Net income from foreign exchange differences - other	1.0	
Other	0.1	1.9
Total finance income	**33.8**	**2.7**

14. Finance costs

	year ended 31 December 2019	31 December 2018
Interest expense	(17.7)	(12.6)
Interest expense on lease liability	(25.8)	-
Financial fees recognised as interest expense	(1.4)	(1.0)
Financial fees - other	(0.5)	(0.8)
Net cost from foreign exchange differences	-	(0.9)
Other	(0.6)	(1.5)
Total finance cost	**(46.0)**	**(16.8)**

15. Income taxes

	year ended 31 December 2019	31 December 2018 (restated)
Current tax	(26.7)	(17.9)
Deferred income tax recognised in the income statement	0.2	1.7
Income tax recognised in the income statement	**(26.5)**	**(16.2)**
Deferred tax asset		
Opening balance	21.3	16.7
Closing balance	22.4	21.3
Deferred tax liability		
Opening balance	49.5	27.3
Closing balance	51.4	49.5
Change in deferred tax assets/liabilities	**(0.8)**	**(17.6)**

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

	Asset		Liability	
	31 December 2019	**31 December 2018** (restated)	**31 December 2019**	**31 December 2018** (restated)
Property, plant and equipment and intangible assets	10.9	9.8	57.3	54.0
Leases	4.1	-	-	-
Financial instruments measured at fair value through profit or loss	-	-	7.9	-
Trade and other receivables	2.7	-	1.5	-
Provisions and other liabilities	9.5	5.0	-	-
Tax losses carried forward	10.2	10.3	-	-
Other differences	1.5	2.6	1.1	1.9
	38.9	**27.7**	**67.8**	**55.9**
The offset of tax	**(16.5)**	**(6.4)**	**(16.4)**	**(6.4)**
	22.4	**21.3**	**51.4**	**49.5**

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

(all figures in EUR millions unless stated otherwise)

Changes in deferred tax asset and liabilities are recognized as follow:

	year ended	
	31 December 2019	**31 December 2018** (restated)
Change in deferred tax assets/liabilities	**(0.8)**	**(17.6)**
of which:		
Deferred taxes recognised in the income statement	0.2	1.7
Deferred taxes recognised in goodwill (note 7)	-	(20.1)
Deferred taxes recognised in other comprehensive income – net investment hedges	0.3	(0.9)
Deferred taxes recognised in equity -valuation of employee options	0.3	1.4
Foreign exchange differences	(1.6)	0.3

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

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

	year ended	
	31 December 2019	**31 December 2018**
Profit before tax	**93.4**	**57.5**
Income tax calculated according to domestic tax rates applicable to income in particular countries*	16.7	9.0
Income permanently not subject tax (Pizza Portal sale transaction)	(8.6)	-
Tax loss for the current period for which no deferred tax asset was recognised	3.8	3.6
Temporary differences on goodwill impairment for which no deferred tax was recognised	3.9	-
Change of assumptions on deferred tax asset from tax losses related to previous years	3.8	-
Other temporary differences in current period for which no deferred tax is recognised	1.8	-
Effect of local tax reported as income tax	3.2	-
Effect of other permanent non-tax-deductible differences	2.6	2.6
Effect of the remaining differences	(0.7)	1.0
Corporate income tax in the income statement	**26.5**	**16.2**

**The applicable weighted average tax rate amounted to 17.9% (for the period ended 31 December 2018: 15.7%).*

As at 31 December 2019 Group has the following tax losses:

Year of expiry of tax loss carryforwards	Value of tax losses	Tax losses in respect of which deferred tax assets were recognised	Tax losses in respect of which no deferred tax assets were recognised
2019- 2027	6.6	0.7	5.9
No time limit	82.3	36.9	45.4
	88.9	**37.6**	**51.3**

Deferred taxes were not recognised for the following tax losses:

year ended

(all figures in EUR millions unless stated otherwise)

	31 December 2019	31 December 2018
Poland	4.6	6.5
Hungary	3.3	5.7
France	11.9	18.7
Germany	29.8	20.5
Croatia	-	0.6
China	0.2	0.2
Bulgaria	-	1.3
Serbia	-	0.1
Slovenia	0.5	0.1
Romania	1.0	0.3
Austria	-	0.6
Russia	-	1.1
Portugal	-	1.0
	51.3	**56.7**

As at 31 December 2019 the Group recognised a deferred tax asset from tax losses in an amount of EUR 10.2 million. The Group analyses recoverability of deferred taxes on tax losses based on the guidance in IAS 12. Group subsidiaries analyzes the periods in which tax losses can be utilized, whether there are sufficient taxable temporary differences related to the same tax authority and tax jurisdiction, and if the entity will create taxable profits in the periods in which unused tax losses can be utilized. As a result of analysis performed, in 2019 Group recognised total balance of EUR 10.2 million deferred tax assets related to unused tax losses. The balance relates mainly to tax losses in Starbucks Germany market, French KFC, PH and Sushi entities and Russian market. Tax losses in above mentioned tax jurisdictions have no limit of expiration.

Group analyses business plans and cash flows forecasts of subsidiaries in terms of recoverability of deferred tax assets recognised. In particular Group performs goodwill impairment tests for whole businesses and balances of tax losses for which deferred taxes were recognized are verified against projected tax cash outflows. In case unit has projected negative results, deferred tax assets are reassessed in terms of recoverability. In 2019 Group recognised impairment on in KFC Germany business and PH France business, that resulted in both: lack of recognition of deferred taxes on tax losses and derecognition of deferred tax asset accounted in past.

In total during year 2019 total tax effect of tax loss for the current period for which no deferred tax asset was recognised amounted EUR 3.8 million and tax effect of EUR 3.8 million relates to deferred taxes on tax losses recognized in prior years and derecognized in current year.

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

The table below presents tax rate by country applicable for the year 2019 and 2018.

Country	Income tax rates		Deferred income tax assets and liabilities	
	2019	2018	2019	2018
Spain	25.00%	25.00%	25.00%	25.00%
Poland	19.00%	19.00%	19.00%	19.00%
Czech	19.00%	19.00%	19.00%	19.00%
Hungary	9.00%	9.00%	9.00%	9.00%
Russia	20.00%	20.00%	20.00%	20.00%
Serbia	15.00%	15.00%	15.00%	15.00%
Bulgaria	10.00%	10.00%	10.00%	10.00%
USA	35.00%	35.00%	35.00%	35.00%
Malta	35.00%	35.00%	35.00%	35.00%
Germany	30.00% *	30.00% *	30.00% *	30.00% *
France **	31.00%, 28.00%	33, 33%	31%, 28%, 25%	33.33%
Croatia	18.00%	18.00%	18.00%	18.00%
Hong Kong	16.50%	16.50%	16.50%	16.50%
China	25.00%	25.00%	25.00%	25.00%
Romania	16.00%	16.00%	16.00%	16.00%

(all figures in EUR millions unless stated otherwise)

Country	Income tax rates		Deferred income tax assets and liabilities	
	2019	2018	2019	2018
Slovakia	21.00%	21.00%	21.00%	21.00%
Slovenia	19.00%	19.00%	19.00%	19.00%
Austria	25.00%	25.00%	25.00%	25.00%
Portugal	21.00%	21.00%	21.00%	21.00%

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

*** Deferred taxes in France were calculated taking into account an approved plan of the progressive reduction of the income tax rate from 33.3% in 2018, 31.0% in 2019 to 25.0% in 2022.*

16. Property, plant and equipment

The table below presents changes in the value of property, plant and equipment in 2019 and 2018:

2019	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
PPE as at 1 January	**11.7**	**262.4**	**156.1**	**1.3**	**28.6**	**41.3**	**501.4**
Application of IFRS 16	(0.2)	(1.4)	(0.6)	(0.4)	-	-	**(2.6)**
Acquisition	-	-	0.4	-	-	-	**0.4**
Additions	0.3	70.2	73.4	0.8	17.9	25.2	**187.8**
Depreciation	-	(43.6)	(41.8)	(0.6)	(12.5)	-	**(98.5)**
Impairment losses	-	(1.7)	(5.1)	(0.1)	(2.8)	(0.5)	**(10.2)**
Disposals and deconsolidation of assets	-	0.5	(0.9)	(0.1)	(0.4)	(0.8)	**(1.7)**
Transfers	(0.7)	0.7	-	-	-	-	**0.0**
Foreign exchange differences	0.3	4.7	2.0	(0.1)	0.6	0.8	**8.3**
PPE as at 31 December	**11.4**	**291.8**	**183.5**	**0.8**	**31.4**	**66.0**	**584.9**
Gross book value	11.5	579.3	372.9	1.6	79.7	68.4	**1 113.4**
Accumulated depreciation and impairment write-downs	(0.1)	(287.5)	(189.4)	(0.8)	(48.3)	(2.4)	**(528.5)**
Net book value	**11.4**	**291.8**	**183.5**	**0.8**	**31.4**	**66.0**	**584.9**

2018 (restated)	Land	Buildings and expenditure on development of restaurants	Machinery & equipment	Vehicles	Other tangible assets	Assets under construction	Total
PPE as at 1 January	**16.2**	**219.1**	**108.2**	**1.0**	**22.3**	**39.2**	**406.0**
Acquisition	4.6	9.4	28.6	0.7	0.2	0.3	**43.8**
Additions	-	85.3	54.3	0.4	17.9	3.6	**161.5**
Depreciation	-	(38.1)	(31.2)	(0.6)	(10.4)	-	**(80.3)**
Impairment losses	-	(6.5)	(0.4)	-	(0.2)	-	**(7.1)**
Disposals and deconsolidation of assets	(8.8)	(0.4)	(0.2)	(0.1)	(0.3)	(0.4)	**(10.2)**
Foreign exchange differences	(0.3)	(6.4)	(3.2)	(0.1)	(0.9)	(1.4)	**(12.3)**
PPE as at 31 December	**11.7**	**262.4**	**156.1**	**1.3**	**28.6**	**41.3**	**501.4**
Gross book value	11.8	509.2	305.3	2.4	63.1	43.2	**935.0**
Accumulated depreciation and impairment write-downs	(0.1)	(246.8)	(149.2)	(1.1)	(34.5)	(1.9)	**(433.6)**
Net book value	**11.7**	**262.4**	**156.1**	**1.3**	**28.6**	**41.3**	**501.4**

Due to the nature of the Group business the balance of the property, plant and equipment consists of assets in over 1.9 thousand restaurants. There are no individually significant assets. High balance of additions during the years is related with significant organic growth.

(all figures in EUR millions unless stated otherwise)

Depreciation was charged as follows:

	year ended	
	31 December 2019	**31 December 2018**
Costs of restaurant operations	94.4	76.6
Franchise expenses and other	1.5	1.5
Administrative expense	2.6	2.2
Total depreciation	**98.5**	**80.3**

Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended 31 December 2019 by around EUR 10.1 million. Increasing the average useful lives of property, plant and equipment by 10% would lead to a decrease in depreciation for the 12-month period ended 31 December 2018 by around EUR 8.2 million.

17. Leases

The Group leases over 1.9 thousand properties in order to operate brand restaurants. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions, depending on local lease practice and legal framework. Additionally the Group leases in some market cars, equipment, as well as properties for administration or storage purposes and company flats.

The table below presents the reconciliation of the right-of-use assets and lease liabilities for year ended 31 December 2019:

	Right-of-use asset			Lease liabilities
2019	Restaurant properties	Other	Total right-of-use asset	Total liabilities
As at 1 January (note 5)	790.8	8.7	799.5	790.8
Additions – new contracts	105.5	10.6	116.1	116.1
Changes and reassessments	62.8	3.0	65.8	65.8
Amortisation expense (note 10)	(131.7)	(5.2)	(136.9)	-
Impairment (note 12, 20)	(5.9)	(0.1)	(6.0)	-
Interest expense (note 14)	-	-	-	25.8
Payments	-	-	-	(148.3)
Foreign exchange differences	14.0	0.2	14.2	13.9
As at 31 December	**835.5**	**17.2**	**852.7**	**864.1**

The maturity of lease liabilities is presented in the table below:

	31 December 2019	**31 December 2018**
Up to 1 year	144.7	0.6
Between 1 and 3 years	254.3	0.7
Between 3 and 5 years	170.4	0.4
Between 5 and 10 years	199.2	0.7
More than 10 years	95.5	-
Total lease liabilities	**864.1**	**2.4**

The following are the remaining contractual maturities of lease payments at the reporting date. The amounts are gross and undiscounted and include contractual interest payments.

	31 December 2019
Up to 1 year	154.1
Between 1 and 3 years	269.1
Between 3 and 5 years	192.2
Between 5 and 10 years	250.2
More than 10 years	157.0
Total contractual lease payments	**1 022.6**
Future finance costs of leases	158.5
Total lease liabilities	**864.1**

Amortisation was charged as follows:

(all figures in EUR millions unless stated otherwise)

	year ended	
	31 December 2019	31 December 2018
Costs of restaurant operations	132.5	-
Administrative expense	4.4	-
Total amortisation	**136.9**	**-**

The Group recognised rent expense from short-term leases of EUR 2.4 million, leases of low-value assets of EUR 4.5 million and variable lease payments of EUR 19.2 million for the year ended 31 December 2019. Impairment test procedures, assumptions used and tests' results are disclosed in note 20.

Amounts recognised in statement of cash flows amounted to EUR 148.3 million presented as repayment of lease liability and EUR 26.1 million as lease payments not included in the lease liability.

Total cash outflow for leases amounted to EUR 174.4 million in the year ended 31 December 2019.

Additional information about lease payments and lease term

The Group's lease payments are often charged as a higher of fixed payment and turnover based payment. The Group recognized the excess of turnover based rent as variable lease payments. Therefore the stores' revenue impacts on the future variable lease payments. In the year ended 31 December 2019, the share of variable payments amounts to 13% of fixed lease payments.

The intention of the Group is to secure long-term property lease contract, with flexibility that enable adjustments of strategy and reaction on changing market conditions. Vast majority part of the Group's leases provides flexibility, for example, the Group can adjust its exposure by exercising termination options, extension options or using pre-emption rights to go into a renewal agreement. Such rights are subject of individual negotiations with lessors and do not deviate from standard market conditions.

The Group does annual revision of expiring lease contracts. The Group performs case-by-case analysis of the contracts, adjusted to the latest store performance, up-to-date Group's strategy and market conditions. During this process, among others, the Group decides whether exercise, or not, the extension and termination options falling for the following year. The decisions have impact on the assessment of the leases end date used in the measurement of lease liability.

18. Intangible assets

The table below presents changes in the value of intangible assets in 2019 and 2018:

2019	Proprietary brands	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees and customers	Total
IA as at 1 January	157.7	22.1	43.2	38.2	**261.2**
Application of IFRS 16	-	-	(0.5)	-	**(0.5)**
Additions	-	7.8	5.8	-	**13.6**
Amortisation	(0.2)	(3.7)	(6.9)	(3.1)	**(13.9)**
Impairment losses	-	(0.7)	(5.1)	-	**(5.8)**
Disposals and derecognition of assets	(0.9)	(0.3)	(0.7)	-	**(1.9)**
Foreign exchange differences	0.1	0.7	-	-	**0.8**
IA as at 31 December	**156.7**	**25.9**	**35.8**	**35.1**	**253.5**
Gross book value	158.4	45.5	74.9	51.9	**330.7**
Accumulated amortisation and impairment write-downs	(1.7)	(19.6)	(39.1)	(16.8)	**(77.2)**
Net book value	**156.7**	**25.9**	**35.8**	**35.1**	**253.5**

(all figures in EUR millions unless stated otherwise)

2018 (restated)	Proprietary brands	Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	Other intangible assets	Relations with franchisees and customers	Total
IA as at 1 January	69.4	20.4	28.0	31.1	**148.9**
Acquisition	88.7	0.8	17.4	8.9	**115.8**
Additions	-	4.9	5.6	-	**10.5**
Amortisation	(0.2)	(2.9)	(6.9)	(1.8)	**(11.8)**
Impairment losses	-	-	(0.9)	-	**(0.9)**
Disposals and derecognition of assets	-	(0.2)	-	-	**(0.2)**
Foreign exchange differences	(0.2)	(0.9)	-	-	**(1.1)**
IA as at 31 December	**157.7**	**22.1**	**43.2**	**38.2**	**261.2**
Gross book value	159.1	39.2	73.3	51.9	**323.5**
Accumulated amortisation and impairment write-downs	(1.4)	(17.1)	(30.1)	(13.7)	**(62.3)**
Net book value	**157.7**	**22.1**	**43.2**	**38.2**	**261.2**

Amortisation was charged as follows:

	year ended	
	31 December 2019	**31 December 2018**
Costs of restaurant operations	6.3	3.9
Franchise expenses and other	2.3	3.0
Administrative expense	5.3	4.9
Total amortization	**13.9**	**11.8**

Impairment test procedures, assumptions used and tests' results are disclosed in note 20.

The Group belives that brands are the intangibles that do not generate cash inflows that are largely independent of other groups of assets. For some Group brands, cash inflows from the franchisee business are partially independent of other cash inflows, however, these do not represent the value of the whole brand. Brands are used to support restaurant business development and revenues from sales of products under certain brands are not capable of being split between revenue for the brand and revenue for costs of production. Consequently, brands are not a cash-generating unit and are not tested on a standalone basis. Such assets are tested together with their relevant goodwill values. The results of the test are presented in note 20.

The table below presents details of Proprietary brands as at 31 December 2019. Table shows also at which level of goodwill impairment tests the brands are tested:

Brand	Useful life	Level of goodwill test	Gross value	Accumulated amortisation	Impairment	Net value
La Tagliatella	indefinite	Spain – La Tagiatella and KFC	65.0	-	-	65.0
Pizza Portal	indefinite	Poland – Pizza Portal	-	-	-	-
Sushi Shop	indefinite	Sushi Shop (all markets)	86.1	-	-	86.1
Blue Frog	definite	China – Blue Frog	4.8	(1.7)	-	3.1
Bacoa	definite	Spain - Bacoa	2.5	-	-	2.5
			158.4	**(1.7)**	**-**	**156.7**

The most material individual other intangibles items are Exclusivity rights and Master franchise rights, as presented in the table below. Additionally key monies recognized on the level of particular restaurants on acquisitions in France (before IFRS 16 implementation) amounted to EUR 18.6 million.

Category	Useful life	Gross value	Accumulated amortisation	Impairment	Net value
Master Franchise PH right (France)	definite	6.0	(1.5)	(4.5)	-
Exclusivity rights Starbucks (Romania)	definite	11.1	(6.0)	-	5.1
Exclusivity rights Starbucks (Germany)	definite	2.5	(1.9)	-	0.6

(all figures in EUR millions unless stated otherwise)

19. Goodwill

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

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

2019	1 January	Increases (provisional)	Decrease	Impairment	Foreign exchange differences	31 December
Sushi Shop (all markets)	139.0	1.5	-	-	-	**140.5**
Spain – La Tagiatella and KFC	89.6	1.3	-	-	-	**90.9**
Spain - Bacoa	1.2	-	-	-	-	**1.2**
Russia - KFC	35.7	-	-	-	4.7	**40.4**
Germany - Starbucks	35.0	-	-	-	-	**35.0**
China – Blue Frog	19.7	-	-	-	0.1	**19.8**
France - KFC	14.0	-	-	-		**14.0**
France - PH	8.8	-	-	(8.8)	-	**-**
Germany - KFC	4.6	-	-	(4.6)	-	**-**
Hungary – KFC	3.8	-	-	-	-	**3.8**
Romania - SBX	2.7	-	-	-	(0.1)	**2.6**
Czechia – KFC	1.5	-	-	-	(0.1)	**1.4**
Poland – Pizza Portal	0.7	-	(0.7)	-	-	**-**
Poland – Other	0.6	-	-	-	-	**0.6**
Total	**356.9**	**2.8**	**(0.7)**	**(13.4)**	**4.6**	**350.2**

2018 (restated)	1 January	Increases	Decrease	Impairment	Foreign exchange differences	31 December
Sushi Shop (all markets)	-	139.0	-	-	-	**139.0**
Spain – La Tagiatella and KFC	89.6	-	-	-	-	**89.6**
Spain - Bacoa	-	1.2	-	-	-	**1.2**
Russia - KFC	40.6	-	-	-	(4.9)	**35.7**
Germany - Starbucks	35.0	-	-	-	-	**35.0**
China – Blue Frog	19.9	-	-	-	(0.2)	**19.7**
France - KFC	7.1	6.9	-	-		**14.0**
France - PH	8.8	-	-	-	-	**8.8**
Germany - KFC	4.6	-	-	-	-	**4.6**
Hungary – KFC	4.0	-	-	-	(0.2)	**3.8**
Romania - SBX	2.7	-	-	-	-	**2.7**
Czechia – KFC	1.5	-	-	-	-	**1.5**
Poland – Pizza Portal	0.7	-	-	-	-	**0.7**
Poland – Other	0.6	-	-	-	-	**0.6**
Total	**215.1**	**147.1**	**-**	**-**	**(5.3)**	**356.9**

Impairment test procedures, assumptions used and tests' results are disclosed in note 20.

20. Impairment of non-current assets

Restaurant level tests

The Group periodically reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated for the purpose of impairment testing. The recoverable amount of an asset is determined at the level of a single restaurant as the smallest unit (or set of assets) generating cash flows that are largely independent of the cash inflows generated by other assets /groups of assets. Restaurant assets include amongst others property, plant and equipment, intangible assets and right of use assets. Impairment indicators defined by the Group are described in note 43.

(all figures in EUR millions unless stated otherwise)

Impairment indicators are reviewed twice a year and respective impairments test for restaurants are performed twice a year.

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

Carrying amount of each CGU consists of carrying amount of above described assets decreased by balance of lease liabilities assigned to the restaurants (net assets of CGU). To determine the recoverable amount of CGU the lease liabilities balance is also deducted from total discounted cash flows (without the base rental charge). Carrying amount of CGU is compared with recoverable amount and impairment loss is accounted up to total balance of net assets of CGU.

The adoption of IFRS 16 had significant impact on the amount of assets recorded in the statement of financial position of Group. The carrying amount of the assets in the CGU increased (by including right of use assets) and the value in use of the CGU increased (by excluding lease payments (base rent payments) from cash flow projections).These two effects may not be fully offsetting as generally discount rate for impairment test may differ from discount rate for valuation of lease assets and liabilities under IFRS 16.

As presented below it can be observed that discount rates used for the impairment test have decreased comparing to year end 2018 tests. This is the expected effect of implementation of IFRS 16 and needed for assuring consistency in impairment tests. Apart of changes in discount rates due to changes in economy and environment, the decrease of discount rate results from the fact that composition of assets tested has changed (new right of use asset is included in carrying amount of unit tested comparing to prior tests) and also cash flow variability has decreased (as base lease payments are no longer part of free cash flows used in value in use determination, the gross free cash flows increased and relative volatility decreased). As discount rate should reflect the risk of the items tested and respective cash flows, the corresponding decrease of discount rates is observed. Discounts rates applied are shown in the table below.

	Pre-tax discount rate 31 December 2019	**Pre-tax discount rate 30 June 2019**	**Pre-tax discount rate 31 December 2018**
Poland	6.14%	5.41%	8.85%
Czechia	5.67%	5.05%	7.51%
Hungary	6.37%	5.83%	8.35%
Russia	9.93%	8.19%	17.91%
Serbia	8.06%	7.30%	12.34%
Bulgaria	5.23%	4.99%	7.12%
Spain	5.72%	5.18%	8.47%
Germany	4.36%	4.25%	6.28%
France	4.96%	4.66%	7.30%
Croatia	6.32%	5.95%	9.50%
China	7.21%	5.90%	10.88%
Romania	8.19%	6.68%	11.30%
Slovakia	4.79%	4.68%	n/a
Portugal	5.85%	5.71%	n/a
Austria	4.62%	4.45%	n/a
Slovenia	5.28%	4.98%	n/a

Details of impairments losses recognised per category of assets (property, plant and equipment, right of use assets, intangible assets or goodwill) are presented in notes 16, 17, 18 and 19.

Recognized impairment losses do not relate to any individual significant items, but to numerous restaurants tested during the year. This reflects the specifics of Group’s operations, were business is conducted through multiple, individually small operating units.

During year ended 31 December 2019 Group has tested 305 restaurants as separate cash generating units.

Impairment loss or partial impairment loss was recognized for 114 restaurants. Reversal of impairment or partial reversal of impairment was accounted for 41 restaurants.

As a result of tests performed, impairment in the amount of EUR 11.8 million (EUR 7.1 million for property, plant and equipment and intangible assets, EUR 4.7 million for right of use assets) was recognized. Five highest individual impairment losses amounted in total EUR 3.9 million. An average impairment loss per restaurant amounted EUR 0.1 million.

(all figures in EUR millions unless stated otherwise)

Five highest individual reversals of impairment losses amounted in total EUR 1.4 million. An average reversal of impairment per restaurants was of EUR 0.1 million.

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

Goodwill level tests

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

Present value technique model (the income approach) is used by Group for the purpose of determining fair value. The income approach converts future amounts (e.g. cash flows or income and expenses) to a single discounted amount. The fair value reflects current market expectations about those future amounts. The income approach uses unobservable inputs, as a result, the fair value measurement is generally classified as Level 3 in the fair value hierarchy.

The cash flows are initially derived from the budget for the next year, most recent plans for the next two years and the forecasts for the following 2 years. Projections do not include restructuring activities that the Group is not yet committed to. As Group's specific budgets and forecasts are used as a starting point, they may need to be adjusted for market conditions, if Group's perspective would be assessed as different than average market participant.

The 5th year projections are used to extrapolate cash flows into the future if the 5th year represents a steady state in the development of the business. The adjustments may be necessary to reflect the expected development of the business (normalization of cash flows). Growth rates do not exceed the long-term average growth rate for the products, industries, or country or market in which the asset is used.

The recoverable amount is most sensitive to the discount rate used, growth rate used for extrapolation purposes and the weighted average budgeted EBITDA margin. The weighted average budgeted EBITDA margin is calculated as an average for the 5 years projection period i.e. without any impact of the residual value element. Budgeted revenues are used as weights.

The main input assumptions used in test are as follows:

2019	**Post-tax discount rate**	**Implied pre-tax discount rate**	**Growth rate for residual value**	**Weighted average budgeted EBITDA margin**
Czechia - KFC	5.22%	5.85%	2.50%	21.1%
Hungary - KFC	6.69%	7.12%	2.20%	19.9%
Russia – KFC	9.55%	11.36%	1.85%	14.4%
Spain – KFC and TAG	4.88%	5.95%	1.59%	20.4%
Spain – Bacoa	4.88%	5.87%	1.59%	8.2%
China – BF	6.33%	7.59%	2.50%	12.5%
Romania – SBX	8.15%	9.15%	2.50%	21.9%
Germany – KFC	3.33%	4.18%	1.17%	2.0%
Germany – Starbucks	3.33%	4.19%	1.17%	6.5%
France – KFC	3.81%	4.72%	1.43%	8.1%
France – PH	3.81%	3.81%	1.43%	(6.1%)
Sushi Shop (all markets)	3.81%	4.71%	1.43%	11.2%

Test results in 2019

Based on the impairment test prepared the impairment was recognized in following group of CGU: PH France and KFC Germany.

In all remaining tests the recoverable amount exceeds the carrying amount of the tested group of CGUs.

The Group carried out a sensitivity analysis for the impairment tests performed as at 31 December 2019 which involved estimating the value in use.

(all figures in EUR millions unless stated otherwise)

Such sensitivity analysis examined the impact of changes in:

- discount rate applied,
- weighted average budgeted EBITDA margin,
- growth rate for residual value,
- sales revenues increases,

assuming other factors remain unchanged.

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

For discount rate, growth rate, weighted average budgeted EBITDA margin, a reasonable possible change was determined as 10% of the input data, applicable for particular unit. Consequently, each impairment test has a different level of a reasonable change in inputs, which can be determined by multiplying the base input data used in the impairment test as presented in table above by 10%.

Additionally Group performed sensitivity analysis on the expected changes in sales revenues recognition. In that case Group determines reasonable change individually for each business tested. Usually this is in a range of 1-5% decrease of estimated sales revenues in each year of projection.

Results of the sensitivity analysis for businesses were no impairment of goodwill was needed:

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

Results of the impairment tests and sensitivity analysis for businesses impairment of goodwill was recognized:

Sensitivity analysis for PH France

The impairment test performed for Pizza Hut French business resulted in recognition of impairment losses. The carrying amount of the tested unit included goodwill, property, plant and equipment, intangible assets, right of use assts as well corresponding lease liabilities and deferred tax liabilities related to initial acquisition of PH French business.

Carrying amount of CGU was compared with recoverable amount and impairment loss is accounted up to total balance of net assets of CGU.

Group recognized impairment of total goodwill balance in the amount of EUR 8.8 million. Additional impairment losses recognized as a result of impairment tests performed amounted EUR 8.2 million and were recognized for intangible assets, property, plant and equipment and right of use assets. Total value of impairment recognized for PH France amounted EUR 17.0 million.

The Group performed the sensitivity analysis in various scenarios for PH France. Group believes reasonable change in key assumptions is at 10% level of each input value and between 3% and 5% change in sales revenues value (for each year of projection). The below table presents if any change in impairment loss would be accounted if respective input data were changes by tested value, assuming remaining parameters remain stable.

Input/ change in input	**Possible change in impairment loss**
Discount rate - in model (post-tax discount rate (3.81%))	
-10% of base value	No change in impairment loss accounted
-5% of base value	
+5% of base value	
+10% of base value	
Growth rate for residual value - in model (1.43%)	
-10% of base value	No change in impairment loss accounted
-5% of base value	
+5% of base value	
+10% of base value	
Weighted average budgeted EBITDA margin value - in model (-6.07%)	

(all figures in EUR millions unless stated otherwise)

Input/ change in input	Possible change in impairment loss
-10% of base value	No change in impairment loss accounted
-5% of base value	
+5% of base value	
+10% of base value	
Restaurant Sales	
-5% in each year of projection	No change in impairment loss accounted
-3% in each year of projection	
+3% in each year of projection	
+5% in each year of projection	

Below table shows the values to discount rate and growth rate under which recoverable amount in the model would equal to carrying amount of tested unit (assuming remaining input in model unchanged).

Input value	Discount rate	Growth rate
Applied in model	3.81%	1.43%
When carrying amount of CGU equals to recoverable amount	0.29%	4.87%

Sensitivity analysis for KFC Germany

The impairment test performed for KFC Germany business resulted in recognition of impairment losses. The carrying amount of the tested unit included goodwill, property, plant and equipment, intangible assets, right of use assts as well corresponding lease liabilities. Carrying amount of CGU was compared with recoverable amount, as a result impairment loss of EUR 4.6 million was accounted for goodwill as well as EUR 1.9 million impairment loss was recognized for property and right to use assets. Additionally Group recognized impairment losses as a result of impairment test performed for restaurants in total value of EUR 1.6 million.

The Group performed the sensitivity analysis in various scenarios for KFC Germany. Group believes reasonable change in key assumptions is at 10% level of each input value and between 3% and 5% change in sales revenues value (for each year of projection). The below table presents possible change in impairment loss to be accounted if respective input data were changes by tested value, assuming remaining parameters remain stable (negative values represents potential higher impairment loss).

Input/ change in input	Potential change in impairment loss
Discount rate - tested in model (post-tax discount rate (3,33%))	
-10% of base value	4.8
-5% of base value	2.6
+5% of base value	(2.2)
+10% of base value	(4.2)
Growth rate for residual value - tested in model (1,17%)	
-10% of base value	(1.6)
-5% of base value	(0.8)
+5% of base value	0.8
+10% of base value	1.7
Weighted average budgeted EBITDA margin value - tested in model (1,97%)	
-10% of base value	(11.4)
-5% of base value	(5.7)
+5% of base value	4.8
+10% of base value	4.8
Restaurant Sales	
-5% in each year of projection	(2.4)
-3% in each year of projection	(1.4)
+3% in each year of projection	1.4
+5% in each year of projection	2.4

Below table shows the values to discount rate and growth rate under which recoverable amount in the model would equal to carrying amount of tested unit.

(all figures in EUR millions unless stated otherwise)

Discount	Discount rate	Growth rate
Applied in model	3.33%	1.17%
When carrying amount of CGU equals to recoverable amount	3.04%	1.47%

Test results in 2018

The main input assumptions used in test were as follows:

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

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

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

Such sensitivity analysis examined the impact of changes in:

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

assuming other factors remain unchanged.

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

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

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

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

21. Financial assets measured at fair value

Financial assets measured at fair value comprise the equity investment in Glovoapp23, S.L., based in Barcelona, Spain, acquired on 18 July 2018. Based on the agreements signed, AmRest acquired a tranche of newly-issued shares in Glovo and purchased a portion of existing shares from certain shareholders of Glovo. As a result of the investment, which totaled EUR 25 million, AmRest became a co-lead investor holding Glovo shares giving it a 10% stake at shareholders' meetings.

(all figures in EUR millions unless stated otherwise)

On initial recognition, the Group elected to recognise equity investment in Glovo under the category Financial assets at fair value through profit or loss.

On 13 August 2019 the Group signed the agreement with Glovoapp23, S.L. for the transfer from AmRest to Glovo of 100% shares in Restaurant Partner Polska Sp. z o.o. ("Pizza Portal"). On 28 October, due to satisfaction of conditions precedent, AmRest transferred 100% of shares in Pizza Portal to Glovo. Consideration for business sold was as a combination of cash payment of EUR 20 million and newly shares of Glovo to be issued. General Shareholder's Meeting of Glovo in December 2019 approved a new capital increase which include issue of shares for AmRest. Fair value of newly issued shares amounted to EUR 17.6 million.

As a result of the abovementioned transaction and share capital increases in Glovo, AmRest currently holds Glovo shares giving it a 7.5% stake. As there are some dilutive instruments such as employee options and phantom shares, a fully-diluted AmRest stake in Glovo is 6.19%.

Fair value

Changes in balance of Glovo investment in 2019 is presented in below table:

2019	1 January	Additions (note 8)	Fair valuation (note 13)	31 December
Investment in Glovo	26.9	17.6	31.7	76.2

The fair value of the Glovo investment as at 31 December 2019 was EUR 76.2 million. During the year Group recognized EUR 31.7 million effect of revaluation to fair value. This effect has been recognised in income statement under finance income section (note 13). Deferred tax liability amounted for EUR 7,9 million has been recognised due to temporary differences between tax base and carrying amount of Glovo investment (note 15).

Valuation techniques

In December 2019, as at the date of most recent capital increase in Glovo, the Group transferred Glovo investment with carrying amounted of EUR 26.9 million from Level 3 to Level 2 of fair value hierarchy. Share capital increase of Glovo by means of the creation of new shares through asset contributions and cash contribution was executed as at 18 December 2019.

New financing round in Glovo provided the Group with market data about the Glovo including business valuation and most recent share price. In new valuation technique significant input used is based on observable market data.

Fair value of Glovo investment was determined by multiplying amount of AmRest shares in Glovo by the share price from the most recent capital increase.

Key risk description

The Group has exposure to the following risks arising from Glovo financial instrument:

- Market risk
- Business risk
- Specific risk

Market risk is defined as a risk of unexpected price fluctuations, the liquidity of a financial instrument measured as the ability to sell or purchase it at a stated price, and investors' or buyers sentiment to a particular sector that a financial instrument is exposed to or operate in.

The business plan of the investee assumes a need for additional funding in order to finance further expansion plans. In the event of not receiving funding, the investee would need to revise its strategy and therefore the current valuation may not be justified. Also the business plan assumes reaching certain financial results. Significant negative deviations from it may result in a lower ability or interest from investors to acquire funding by the investee.

Due to business relationship with the investee, the shareholding can be treated as a strategic one and therefore potential buyers may incorporate some discounts due to a possibility of more competitive environment in terms of further cooperation in case of sale.

(all figures in EUR millions unless stated otherwise)

22. Other non-current assets

As at 31 December 2019 and 2018 the balances of other non-current assets were as follows:

	31 December 2019	31 December 2018 (restated)
Prepaid rental fees	2.9	3.0
Deposits for rentals	20.6	20.9
Prepaid other services	0.1	0.7
Other	1.5	2.5
	25.1	**27.1**

23. Inventories

As at 31 December 2019 and 2018, inventories cover mainly food and packaging used in the restaurants, finished goods and work in progress prepared by central kitchen for sale by La Tagliatella restaurants. Due to the nature of its business and applicable Group standards, all inventories are treated as materials. Inventories are presented at net value including write-downs.

24. Trade and other receivables

As at 31 December 2019 and 2018 the balances of trade and other receivables were as follows:

	31 December 2019	31 December 2018 (restated)
Trade receivables from non-related entities	37.7	32.4
Other tax receivables	39.4	20.4
Credit cards, coupons and food aggregators receivables	5.9	3.0
Investment receivables (note 21)	20.0	-
Loans and borrowings	1.4	-
Other	8.3	3.9
Allowances for receivables (note 39)	(8.1)	(4.2)
	104.6	**55.5**

Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 39.

25. Other current assets

As at 31 December 2019 and 2018 the balances of other current assets were as follows:

	31 December 2019	31 December 2018 (restated)
Prepaid costs of utilities	5.2	4.2
Prepaid lease costs	0.8	9.4
Prepaid property insurance	0.4	0.5
Prepaid professional services cost	3.2	1.4
Prepaid marketing costs	0.2	0.2
Prepaid tax costs	2.6	2.9
Assets related to purchase price adjustment	-	10.3
Assets related to a right to compensation resulting from the acquisition agreement	2.7	2.3
Other	4.4	4.0
Write-downs of other current assets	(0.2)	(0.2)
	19.3	**35.0**

In 2019 prepaid lease costs are currently accounted within IFRS 16 model and are effectively reflected in right of use asset.

(all figures in EUR millions unless stated otherwise)

The decrease in assets related to purchase price adjustment relates to acquisition of Sushi Shop Group. As disclosed in note 7 of these consolidated financial statements in June 2019 Group had signed the settlement agreement on purchase price adjustment of EUR 10 million in favour of AmRest.

26. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2019 and 31 December 2018 are presented in the table below:

	31 December 2019	31 December 2018
Cash at bank	93.0	103.9
Cash in hand	13.2	14.5
	106.2	**118.4**

Reconciliation of working capital changes as at 31 December 2019 and 31 December 2018 is presented in the table below:

2019	Balance sheet change	Change from acquisition	Adoption of IFRS 16	Loss of control Pizza Portal	Change in investment liabilities	Foreign exchange differences	Working capital changes
Change in trade and other receivables	(49.1)	-	-	20.9	-	(0.5)	(28.7)
Change in inventories	(4.2)	-	-	-	-	0.3	(3.9)
Change in other assets	17.7	(10.0)	(9.0)	-	-	(0.4)	(1.7)
Change in payables and other liabilities	18.7	18.0	-	1.8	(4.7)	(1.1)	32.7
Change in other provisions and employee benefits	6.2	-	0.2	-	-	0.1	6.3

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

27. Equity

Share capital

Since 27 April 2005, the shares of AmRest Holdings SE were listed on the Warsaw Stock Exchange ("WSE") and since 21 November 2018 on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

There were no changes in share capital of the Company in year 2019.

During 2018 year the Company increased the share capital by EUR 21 million, by offsetting the share premium reserve. Additionally the Company performed a share split by reducing the nominal value of the Company's shares from EUR 1.0 to EUR 0.1 each without any impact on the total share capital.

In October 2018 AmRest announced that the Board of Directors of the Company has resolved to carry out a share capital increase excluding pre-emption rights in an effective amount (including nominal amount and share issue premium) of EUR 70 million. Under the share capital increase, the Company issued 7 415 253 new shares, of the same class and series as the Company's outstanding shares.

As at 31 December 2018 and as at 31 December 2019 the Company has 219 554 183 shares issued.

(all figures in EUR millions unless stated otherwise)

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

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

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

Changes in the number of shares are also disclosed in note 30 Earnings per share.

On 27 March 2019 Gosha Holdings S.à.r.l. and FCapital Dutch B. V. have executed a share sale agreement pursuant to which the FCapital Dutch B.V. acquires from the Gosha Holdings S.à.r.l. their entire shareholding in AmRest Holdings SE consisting on 23 426 313 shares, representing 10.67% of AmRest's share capital. Transaction price has been agreed at EUR 13.22 per share, amounting an aggregate of EUR 309.7 million. On 9 May 2019 FCapital has completed the purchase of the entire shareholding in AmRest of Gosha Holdings S.à.r.l. After this purchase, Grupo Finaccess controls 67.05% of AmRest.

As a consequence, the proprietary directors of Gosha Holdings, S.à.r.l. at AmRest's Board, Mr. Henry McGovern and Mr. Steven Kent Winegar, resigned from their positions effective May 14, 2019. On the same date, Ms. Romana Sadurska and Mr. Emilio Fullaondo Botella were co-opted by the Board as independent directors.

To the best of AmRest's knowledge, as at 31 December 2019 AmRest Holdings had the following shareholder structure:

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

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

(all figures in EUR millions unless stated otherwise)

Reserves

The structure of Reserves is as follows:

2019	Share premium	Payments in shares	Employee options	Treasury shares	Hedges valuation	Transactions with NCI	Total Reserves
As at 1 January	**236.3**	**13.0**	**(6.3)**	**(15.2)**	**(0.5)**	**(21.2)**	**206.1**
Net investment hedges	-	-	-	-	1.7	-	1.7
Income tax related to net investment hedges	-	-	-	-	(0.3)	-	(0.3)
Total comprehensive income	**-**	-	**-**	**-**	**1.4**	**-**	**1.4**
Transaction with non-controlling interests	-	-	-	-	-	(5.1)	(5.1)
Total transactions with non-controlling interests	-	-	-	-	-	**(5.1)**	**(5.1)**
Deferred payment in shares	-	(13.0)	-	-	-	-	(13.0)
Purchases of treasury shares	-	-	-	(0.9)	-	-	(0.9)
Share based payments		-					
Value of disposed treasury shares	-	-	(8.6)	8.6	-	-	-
Employee stock option plan – value of employee benefits exercised in the period	-	-	(17.4)	-	-	-	(17.4)
Employee stock option plan – proceeds from employees for transferred shares	-	-	0.9	-	-	-	0.9
Employee stock option plan – change in unexercised options	-	-	6.6	-	-	-	6.6
Change of deferred tax related to unexercised employee benefits	-	-	(0.3)	-	-	-	(0.3)
Total share based payments	-	-	*(18.8)*	*8.6*	-	-	*(10.2)*
Total distributions and contributions	**-**	**(13.0)**	**(18.8)**	**7.7**	**-**	**-**	**(24.1)**
As at 31 December	**236.3**	-	**(25.1)**	**(7.5)**	**0.9**	**(26.3)**	**178.3**

(all figures in EUR millions unless stated otherwise)

2018	Share premium	Put option	Payments in shares	Employee options	Treasury shares	Hedges valuation	Transactions with NCI	Total Reserves
As at 1 January	**189.1**	**(40.7)**	-	**(7.8)**	**(10.6)**	**2.8**	**19.5**	**152.3**
Reclassification between items – see "put option" disclosure below	-	40.7	-	-	-	-	(40.7)	-
As at 1 January 2018- after reclassification	**189.1**	-	-	**(7.8)**	**(10.6)**	**2.8**	**(21.2)**	**152.3**
Net investment hedges	-	-	-	-	-	(4.2)	-	(4.2)
Income tax related to net investment hedges	-	-	-	-	-	0.9	-	0.9
Total comprehensive income	**-**	**-**	-	**-**	**-**	**(3.3)**	**-**	**(3.3)**
Transaction with non-controlling interests	-	-	-	-	-	-	-	-
Total transactions with non-controlling interests	-	-	-	-	-	-	-	-
Share capital increase from share premium	(21.0)	-	-	-	-	-	-	(21.0)
Issue of share capital	69.2	-	-	-	-	-	-	69.2
Transaction costs on issue of share capital	(1.0)	-	-	-	-	-	-	(1.0)
Deferred payment in shares	-	-	13.0	-	-	-	-	13.0
Purchases of treasury shares	-	-	-	-	(9.5)	-	-	(9.5)
Share based payments			-					
Value of disposed treasury shares	-	-	-	(4.9)	4.9	-	-	-
Employee stock option plan – value of employee benefits exercised in the period	-	-	-	2.6	-	-	-	2.6
Employee stock option plan – proceeds from employees for transferred shares	-	-	-	0.8	-	-	-	0.8
Employee stock option plan – change in unexercised options	-	-	-	4.4	-	-	-	4.4
Change of deferred tax related to unexercised employee benefits	-	-	-	(1.4)	-	-	-	(1.4)
Total share based payments	-	-	-	*1.5*	*4.9*	-	-	*6.4*
Total distributions and contributions	**47.2**	**-**	**13.0**	**1.5**	**(4.6)**	**-**	**-**	**57.1**
As at 31 December	**236.3**	-	**13.0**	**(6.3)**	**(15.2)**	**(0.5)**	**(21.2)**	**206.1**

(all figures in EUR millions unless stated otherwise)

Share premium

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

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

There were no transactions within share premium in 2019.

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

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

Put option

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

In 2019 Group decided to reclassify the effect of 2013 transaction and made a respective reclassification in a table of movement of Reserves for the year 2018. This reclassification does not impact the statement of financial position. The reclassification was made between the balances of “Put option” and “Transaction with non-controlling interest” reserves in amount of EUR 40.7, to reflect past transaction on a net basis, and finalize the past accounting for put option transaction.

The Group currently does not have any open put option over non-controlling interest contracts.

Payments in shares

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

As described in note 7 to these consolidated financial statements, in June 2019 Group signed a settlement with Sellers of Sushi Shop Group. Parties agreed that EUR 13 million payment expected to be initially settled in a fixed number of AmRest’s shares will be paid in cash. Consequently Group has reclassified the balance from equity to financial liabilities and repaid the balance in June 2019, as agreed in settlement.

Treasury shares

As at 31 December 2019 the Group had 718 548 treasury shares for a total purchase value of EUR 7.5 million, presented as treasury shares within “Reserves” under equity.

Transactions with NCI

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

The following key transactions were recognised in 2019:

	Transactions with NCI	Non-controlling interest	Total Equity
Transactions with non-controlling interests			
Acquisition of non-controlling interests of Pizza Portal	(4.8)	(0.5)	(5.3)
Acquisition of non-controlling interests in Sushi Shop Group	(0.3)	(0.1)	(0.4)
Dividends for non-controlling shareholders	-	(1.4)	(1.4)
Total transactions with non-controlling interests	**(5.1)**	**(2.0)**	**(7.1)**

(all figures in EUR millions unless stated otherwise)

The following key transactions were recognised in 2018:

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

Hedges valuation

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

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

AmRest Sp. z o.o., a Polish subsidiary, with PLN as functional currency, is a borrower of external EUR financing. A bank loan of EUR 220 million has been hedging the net investment in its EUR subsidiaries both in 2018 and 2019. Following a change in presentation currency of the Group from PLN to EUR, AmRest Sp. z o.o. remains exposed to the foreign currency risk between the functional currency of its net investment in its EUR investments and its own functional currency (PLN). These different functional currencies create a genuine economic exposure to changes in fair values in the consolidated financial statements of the Group.

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

During the year ended 31 December 2019 hedges were fully effective.

As at 31 December 2019 the accumulated value of currency revaluation recognised in reserve capital (resulting from net investment hedges) amounted to EUR 1.7 million, and deferred tax concerning this revaluation EUR 0.3 million.

Translation reserves

The balance of translation reserves depends on the changes in the foreign exchange rates. This parameter is out of control of Group.

Total change in translation reserves in year 2019 amounted to EUR 9.2 million. The most significant impact on that balance has a change in Russian ruble to EUR 10.9 million and Polish zloty to EUR (1.3) million.

Non-controlling interest

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

	31 December 2019	31 December 2018
AmRest Coffee Sp. z o.o.	1.2	1.7
SCM Sp. z o.o.*	1.7	1.5
AmRest Coffee s.r.o.	3.8	2.9
AmRest Kávézó Kft	0.9	0.8
AmRest d.o.o.	1.0	1.0
SCM s.r.o.	0.6	0.3
SCM Due Sp. z o.o.*	-	0.1
Restaurant Partner Polska Sp. z o.o.**	-	0.7
Sushi Shop Group	0.3	0.9
Non-controlling interests	**9.5**	**9.9**

* *On 2 December 2019 SCM Due Sp. z o.o. was merged into SCM Sp. z o.o. On mentioned date all assets of merged company have been taken by SCM Sp. z o.o.*
*** On 28 October 2019 AmRest Holdings SE lost control over Restaurant Partner Polska Sp. z o.o. as a result of transaction of sales of 100% shares with Glovoapp23, S.L.*

28. Dividends paid and received

In the period covered by these consolidated financial sftatements the Group has paid a dividend to non-controlling interest of SCM s.r.o amounting to EUR 11 thousand (CZK 300 thousand) and SCM sp. z o.o. amounting to EUR 1.4 million (PLN 6.1 million).

(all figures in EUR millions unless stated otherwise)

29. Non-controlling interests

At 31 December 2019 and 31 December 2018 the summarised financial information for each subsidiary that has non-controlling interests is as follows:

Summarised balance sheet

31 December 2019	AmRest Coffee s.r.o.	AmRest Kávézó Kft	AmRest Coffee Sp. z o. o.	SCM Sp. z o.o.	SCM due Sp. z o.o.*	Restaurant Partner Polska Sp. z o.o.**	SCM s.r.o.	AmRest d.o.o.	Sushi Shop Group
Current assets	13.2	2.4	1.5	5.4	-	-	2.3	1.1	1.1
Liabilities	(8.6)	(7.0)	(10.0)	(2.8)	-	-	(1.5)	(3.0)	(0.6)
Total current net assets	4.6	(4.6)	(8.5)	2.6	-	-	0.8	(1.9)	0.5
Non-current assets	36.5	22.2	34.0	0.7	-	-	0.1	6.3	1.0
Non-current liabilities	(20.3)	(12.6)	(18.3)	(0.4)	-	-	-	(2.0)	-
Total non-current net assets	16.2	9.6	15.7	0.3	-	-	0.1	4.3	1.0
Net assets	20.8	5.0	7.2	2.9	-	-	0.9	2.4	1.5

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

* *On 2 December 2019 SCM Due Sp. z o.o. was merged into SCM Sp. z o.o. On mentioned date all assets of merged company have been taken by SCM Sp. z o.o.*
*** On 28 October 2019 AmRest Holdings SE lost control over Restaurant Partner Polska Sp. z o.o. as a result of transaction of sales of 100% shares with Glovoapp23, S.L.*

(all figures in EUR millions unless stated otherwise)

Summarised income statement

year ended 31 December 2019	**AmRest Coffee s.r.o.**	**AmRest Kávézó Kft**	**AmRest Coffee Sp. z o.o.**	**SCM Sp. z o.o.**	**SCM due Sp. z o.o.***	**Restaurant Partner Polska Sp. z o.o.****	**SCM s.r.o.**	**AmRest d.o.o.**	**Sushi Shop Group**
Total sales	32.7	16.4	31.5	17.2	-	0.8	9.4	6.6	8.9
Profit before tax	4.2	0.6	(3.5)	2.2	-	(0.8)	0.2	(0.2)	(0.1)
Income tax expense/income	(1.1)	(0.3)	0.3	(0.6)	-	-	-	-	1.0
Profit/loss for the period	3.1	0.3	(3.2)	1.6	-	(0.8)	0.2	(0.2)	(0.2)
Profit/loss for the period allocated to NCI	0.8	0.1	(0.5)	1.5	-	(0.2)	0.3	-	(0.2)

year ended 31 December 2018	**AmRest Coffee s.r.o.**	**AmRest Kávézó Kft**	**AmRest Coffee Sp. z o.o.**	**SCM Sp. z o.o.**	**SCM due Sp. z o.o.**	**Restaurant Partner Polska Sp. z o.o.**	**SCM s.r.o.**	**AmRest d.o.o.**	**Sushi Shop Group**
Total sales	26.4	13.0	27.2	11.9	1.8	3.3	0.7	4.9	2.0
Profit before tax	3.9	0.6	(3.2)	2.0	0.2	(5.4)	0.3	(0.2)	(0.1)
Income tax expense/income	(0.8)	(0.2)	-	(0.4)	-	-	(0.1)	-	-
Profit/loss for the period	3.1	0.4	(3.2)	1.6	0.2	(5.4)	0.2	(0.2)	(0.1)
Profit/loss for the period allocated to NCI	0.6	0.1	(0.6)	0.8	0.1	(2.7)	0.1	(0.1)	-

* *On 2 December 2019 SCM Due Sp. z o.o. was merged into SCM Sp. z o.o. On mentioned date all assets of merged company have been taken by SCM Sp. z o.o.*

*** On 13 March 2019 AmRest Holding SE has acquired 49% of shares of Restaurant Partner Polska Sp. z o.o. On this day AmRest Holdings SE has became sole shareholder of Restaurant Partner Polska Sp. z o.o. Summarised income statement of Restaurant Partner Polska Sp. z o.o. is presented till acquisition of non-controlling interests shares i.e. till 13 March 2019.*

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

30. Earnings per share

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

On 27 September 2018 Krajowy Depozyt Papierów Wartościowych (KDPW) passed a resolution on registration in KDPW of the reduction of the nominal value of the shares from 1 EUR to 0.1 EUR by dividing the total number of AmRest shares (split) in a ratio 1:10. The effective date of split was scheduled for 3 October 2018, when the share split was executed. As result the total number of Company shares traded on the Warsaw Stock Exchange (the "WSE") increased to 212 138 930, each with a nominal value of 0.1 EUR.

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

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

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

On 15 October 2018 under the share capital increase, the Company issued 7 415 253 new shares, of the same class and series as the outstanding shares in the Company.

As at 31 December 2019 and 2018 the Company has 219 554 183 shares issued.

Table below presents calculation of basic and diluted earnings per ordinary share for the year 2019 and 2018.

Basic EPS is calculated by dividing net profit attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding during the year (including treasury shares, vested options under share based programs, number of shares to be transferred as a consideration for acquisition).

Diluted EPS is calculated by dividing net profit attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares (unvested options for open share based payments programs).

EPS calculation with the effect of share split	**31 December 2019**	**31 December 2018**
Net profit attributable to shareholders of the parent (EUR millions)	65.1	43.0
Weighted average number of ordinary shares for basic EPS (in thousands of shares)	220 567	214 981*
Weighted average number of ordinary shares for diluted EPS (in thousands of shares)	221 480	216 853*
Basic earnings per ordinary share (EUR)	0.30	0.20
Diluted earnings per ordinary share (EUR)	0.29	0.20

** weighted average number of ordinary shares for basic EPS and diluted EPS was recalculated, taking into account options under share based programs within the Group. The adjustment to the weighted average number of ordinary shares does not change the basic and diluted EPS, that was at the level of 0.20 EUR per share.*

Reconciliation of weighted-average number of ordinary shares for basic EPS:

Weighted-average number of ordinary shares in thousands of shares	**31 December 2019**	**31 December 2018**
Shares issued at the beginning of the period	219 554	212 139
Effect of shares issued	-	1 569
Effect of treasury shares held	(1 042)	(1 212)
Effect of shares subject to Sushi Shop payment	572	292
Effect of share options vested	1 483	2 193
Weighted average number of ordinary shares for basic EPS	**220 567**	**214 981**

Reconciliation of weighted-average number of ordinary shares for diluted EPS:

Weighted-average number of ordinary shares for diluted EPS in thousands of shares	31 December 2019	31 December 2018
Weighted-average number of ordinary shares for basic EPS	220 567	214 981
Effect of share options unvested	913	1 872
Weighted average number of ordinary shares for diluted EPS	**221 480**	**216 853**

At 31 December 2019, 7 475 thousand of options were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive. At 31 December 2018, there were 8 974 thousand of options with anti-dilutive effect.

31. Borrowings

Long-term	31 December 2019	31 December 2018
Bank loans	555.0	554.8
SSD	101.0	101.0
	656.0	**655.8**

Short-term	31 December 2019	31 December 2018
Bank loans	62.8	4.7
SSD	1.3	1.3
	64.1	**6.0**

Bank loans and bonds

Currency	Loans/Bonds	Effective interest rate	31 December 2019	31 December 2018
PLN	Syndicated bank loan	3M WIBOR+margin	135.8	134.2
EUR	Syndicated bank loan	3M EURIBOR/fixed +margin	476.3	408.3
CZK	Syndicated bank loan	3M PRIBOR+margin	-	11.7
EUR	Schuldscheinedarlehen Bonds	6M EURIBOR/fixed +margin	102.3	102.3
EUR	Bank loans Germany	EURIBOR+margin	5.1	2.8
CNY	Bank loan – China	Fixed	0.6	2.5
			720.1	**661.8**

As at 31 December 2019, syndicated bank financing security for liabilities in 2017, with further amendments, accounts for the majority of AmRest debt. Details of bank financing are as follows:

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

The available tranches:

Tranche(*)	Maximum amount (million)	Date added	Purpose
A	EUR 250	October 2017	Refinancing of bank debt, general corporate purposes
B	PLN 300	October 2017	
C (fully repaid in Q1 2019)	CZK 0	October 2017	
D	PLN 450	October 2017	
E	PLN 280	June 2018	Refinancing of Polish bonds
F	EUR 190	October 2018	M&A, general corporate purposes

** Approximate total amount: EUR 682m*

- Interest rates: Approximately half of the available facility is provided at variable interest rates (3M Euribor/Wibor/Pribor increased by a margin) and parts of tranches A and F are provided at a fixed rate,
- Securities: submissions to execution from the Borrowers, guarantees from Group companies, pledge on shares of Sushi Shop Group,

Other information: AmRest is required to maintain certain ratios at agreed levels. In particular, net debt/adjusted consolidated EBITDA is to be held below 3.5 and consolidated EBITDA/interest charge is to stay above 3.5. Both ratios are calculated without the effect of IFRS 16. EDITDA as defined in finance agreements for the purpose of calculating covenents was EUR 211.1 million for the period of 12 months ended 31 December 2019.

- 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.

In April 2017 AmRest entered the Schuldscheinedarlehen ("SSD" – debt instrument under German law) market for the first time to diversify financing sources and interest rate structure of debt and has executed several issues since then. The table below presents all SSD issues and their maturities:

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

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

As at 31 December 2019, payables concerning SSD issued amount to EUR 102.7m.

The maturity of long- and short-term loans as at 31 December 2019 and 2018 is presented in the table below:

	31 December 2019	31 December 2018
Up to 1 year	64.1	6.0
Between 1 and 2 years	57.9	55.4
Between 2 and 3 years	559.6	54.0
Between 3 and 4 years	-	507.4
Between 4 and 5 years	38.5	-
More than 5 years	-	39.0
	720.1	**661.8**

The Group has the following unused, awarded credit limits as at 31 December 2019 and 31 December 2018:

	31 December 2019	31 December 2018
With floating interest rate		
- expiring within one year (tranche A)	-	30.0
- expiring beyond one year (tranche D)	68.4	104.6
	68.4	**134.6**

The table below presents the reconciliation of the debt:

2019	Bank loans	SSD	Total
As at 1 January	**559.5**	**102.3**	**661.8**
Payment	(15.8)	-	(15.8)
Loan taken/ new contracts	71.6	-	71.6
Accrued interests	16.5	2.3	18.8
Payment of interests	(15.6)	(2.3)	(17.9)
FX valuation	1.6	-	1.6
As at 31 December	**617.8**	**102.3**	**720.1**

(all figures in EUR millions unless stated otherwise)

2018	Bank loans	Bonds and SSD	Total
As at 1 January	**301.1**	**170.5**	**471.6**
Payment	(22.4)	(67.6)	(90.0)
Loan taken/ new contracts	282.7	-	282.7
Accrued interests	7.4	5.0	12.4
Payment of interests	(7.6)	(6.2)	(13.8)
FX valuation	(1.7)	-	(1.7)
Other	-	0.6	0.6
As at 31 December	**559.5**	**102.3**	**661.8**

32. Collateral on borrowings

The Borrowers (AmRest Holding SE, AmRest Sp. z o.o. and AmRest s.r.o.) are jointly and severally responsible for paying the liabilities resulting from credit agreements. Additionally, Group companies – AmRest Kaffee Sp. z o.o., AmRest Coffee Deutschland Sp. z o.o. & Co.KG, AmRest DE Sp. z o.o. & Co.KG, AmRest KFT, OOO AmRest, OOO Chicken Yug, AmRest Coffee SRL, AmRest Tag S.L.U., Restauravia Food S.L.U., Pastificio Service S.L.U – granted sureties to the financing banks. These companies guarantee that the Borrowers will discharge their obligations following from the credit agreement until the loan is repaid, i.e. 30 September 2022 however not later than 5 October 2025.

33. Employee benefits and share based payments

The Group established long-term incentive plans in order to bind a portion of managers' and executives' remuneration with the Group's market value. During year 2019, the Group had the share-based payment arrangements according to four share option plans. Part of options in the Plan 2 is accounted as cash-settled due to the availability of cash exercise method upon the choice of an employee. All other options in the following plans are equity-settled.

Plan 2 – Stock Option Plan 2005

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

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

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

Plan 3 – Management Incentive Plan 2011

Granting of the options finished in 2014. The Supervisory Board of Group (then existing) was entitled to determine the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price was in principle equal to the market price of the Company's shares as at the date preceding the day of awarding the option and then increased by 11% each year. The vesting period was 3-5 years. All remaining options granted within the Plan 3 has been exercised during year 2019.

Plan 4 – Stock Option Plan 2017

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

(all figures in EUR millions unless stated otherwise)

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

Plan 5 – Management Incentive Plan 2017

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

The terms and conditions for the share options outstanding as at 31 December 2019 are presented in the table below:

Grant date	Terms and conditions for vesting of the options	The maximum term of options	Option exercise price in EUR	Method of settlement
Plan 2 - SOP				
April 30, 2010	1-5 years, 20% per annum	10 years	1.68	Equity or equity/cash*
June 20, 2011			1.87	Equity or equity/cash*
April 30, 2012			1.68	Equity or equity/cash*
April 30, 2013			1.94	Equity or equity/cash*
April 30, 2014			1.96	Equity or equity/cash*
December 9, 2015			3.14	Equity or equity/cash*
April 30, 2016			5.35	Equity
Plan 4 - SOP				
May 30, 2017	3-5 years, 60% after 3rd year, 20% after 4th and 5th year	10 years	8.14	Equity
January 1, 2018			9.66	Equity
April 30, 2018			10.91	Equity
August 6, 2018			10.46	Equity
October 1, 2018			10.63	Equity
December 10, 2018			9.40	Equity
April 30, 2019			9.62	Equity
Plan 5 - MIP				
March 15, 2017	3-5 years, 33% p.a.	10 years	10.51	Equity
September 13, 2017			10.97	Equity
March 3, 2018			10.43 - 10.88	Equity
October 1, 2018			14.54	Equity
March 26, 2019			10.23 - 14.49	Equity
May 13, 2019			12.10	Equity

**For some options only the equity method is applicable, as some employees can decide upon the settlement method, as disclosed in Plan 2 description above.*

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

In the table below we present the number and weighted average of the exercise prices (WAEP) of, and movements in, the options from all plans during the year ended 31 December 2019 and 2018:

Number of option 2019	WAEP in EUR (before indexation)	Plan 5	Plan 4	Plan 3	Plan 2
At the beginning of the period	7.71	6 650 000	4 118 750	2 750 003	2 274 776
Granted during the period	9.23	1 450 000	3 440 800	-	-
Exercised during the period	1.98	-	(10 000)	(2 750 003)	(1 027 742)
Forfeited during the period	8.30	(2 700 000)	(560 700)	-	(96 768)
Outstanding at the end of the period	8.52	5 400 000	6 988 850	-	1 150 266
- including exercisable as at the end of the period	3.59	-	499 168	-	-

(all figures in EUR millions unless stated otherwise)

Number of option 2018	WAEP in EUR (before indexation)	Plan 5	Plan 4	Plan 3	Plan 2
At the beginning of the period	5.00	4 600 000	1 961 700	2 833 336	3 126 780
Granted during the period	6.83	3 550 000	2 395 000	-	-
Exercised during the period	1.22	-	-	(83 333)	(750 884)
Forfeited during the period	9.11	(1 500 000)	(237 950)	-	(101 120)
Outstanding at the end of the period	7.71	6 650 000	4 118 750	2 750 003	2 274 776
- including exercisable as at the end of the period	1.38	-	-	2 366 660	960 622

The weighted average share price at the dates of exercise of the options was EUR 9.83 in 2019 and EUR 10.28 in 2018.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2019 was 8.21 years (2018: 7.33 years).

Measurement

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

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

Plan	Average fair value of option as at grant date	Average share price at the grant date	Average exercise price	Expected volatility	Expected term to exercise of options	Expected dividend	Risk-free interest rate
2019							
Plan 4 (SOP)	EUR 2.90	EUR 9.62	EUR 9.62	30%	5 years	-	2%
Plan 5 (MIP)	EUR 2.83	EUR 10.36	EUR 11.37	30%	5 years	-	2%
2018							
Plan 4 (SOP)	EUR 3.19	EUR 10.91	EUR 10.91	29%	5 years	-	2%
Plan 5 (MIP)	EUR 3.21	EUR 7.89	EUR 10.78	29%	5 years	-	2%

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

Share-based payments costs and liabilities

The Group recognises accrual for equity-settled options in reserve capital. The amounts as at 31 December 2019 and 31 December 2018 are presented in a table below:

	31 December 2019	31 December 2018
Reserve capital - Plan 2	1.8	3.4
Reserve capital - Plan 3	-	1.1
Reserve capital - Plan 4	5.0	2.0
Reserve capital - Plan 5	6.6	4.2
	13.4	**10.7**

The Group recognises liability for cash settled options. The amounts as at 31 December 2019 and 31 December 2018 are presented in a table below:

	31 December 2019	31 December 2018
Liability for Plan 2	0.5	1.3
Other employee benefits liabilities	0.1	0.4
	0.6	**1.7**

(all figures in EUR millions unless stated otherwise)

The costs recognised in connection with the plans relating to incentive programs for the years ended 31 December 2019 and 2018 respectively are presented below:

	2019	2018
Employee stock option plan 2	1.4	1.9
Employee stock option plan 3	0.8	0.1
Employee stock option plan 4	3.0	1.6
Employee stock option plan 5	2.6	3.1
	7.8	**6.7**

Pension, health care and other contributions

The costs recognised in connection with the employee benefits contributions for the years ending on 31 December 2019 and 31 December 2018 respectively are presented below:

	2019	2018
Pension, health care contributions and other	111.7	85.3

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

34. Provisions

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

2019	As at 1 January	Adoption of IFRS16	Increased during the year	Released during the year	Used during the year	F/X differences	As at 31 December
Onerous contracts	1.8	(1.8)	-	-	-	-	-
Asset retirement obligation	9.8	-	0.8	(0.3)	(0.1)	(0.1)	10.1
Provision for court fees	2.2	-	2.2	(1.4)	-	0.7	3.7
Provision for tax risks	0.8	-	0.1	(0.5)	-	-	0.4
Provision for resetting master-franchise agreements	-	-	8.0	-	-	-	8.0
Provision for other	0.9	-		(0.1)		(0.2)	0.6
Total	**15.5**	**(1.8)**	**11.1**	**(2.3)**	**(0.1)**	**0.4**	**22.8**

2018 (restated)	As at 1 January	Assumed in a business combination	Increased during the year	Released during the year	Used during the year	F/X differences	As at 31 December
Onerous contracts	0.9	1.2	0.3	(0.5)	(0.1)	-	1.8
Asset retirement obligation	8.0		1.8	-	-	-	9.8
Provision for court fees	0.4	1.5	0.5	-	(0.2)	-	2.2
Provision for tax risks	1.0	-	0.1	(0.3)	-	-	0.8
Provision for other	-	0.3	0.6	-	-	-	0.9
Total	**10.3**	**3.0**	**3.3**	**(0.8)**	**(0.3)**	**-**	**15.5**

All provisions are treated as long-term liabilities.

Provision for resetting master-franchise agreements

As at the balance sheet date, the Group recognised a provision for resetting master-franchise agreements regarding Pizza Hut signed for the markets: France, CEE, Germany, and Russia (including Armenia and Azerbaijan).

Provision for court fees

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

Provision for tax liabilities

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

Asset retirement obligation

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

35. Tax risks and uncertain tax positions

Tax inspections in AmRest Sp. z o.o.

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

   On 18 February 2019 AmRest Sp. z o.o. received the information from the Tax Administration Chamber that the proceedings aimed at annulment of the final decision regarding VAT returns for 2014 issued by Tax Administration Chamber has been opened due to the severe breach of law done by the Chamber in the decision. On 25 June 2019 AmRest Sp. z o.o. received the notification that the proceedings related to the annulment of the final decision covering VAT for 2014 have been suspended.
   At the moment of publication of these consolidated financial statements, the decision related to the annulment of the final decision has not been issued.

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

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

   On 16 October 2017 the Company submitted an appeal to the second instance (Tax Administration Chamber) referring to the above described decision. As a result of the decision issued on 17 January 2018 by the Tax Administration Chamber which revoked the decision of first instance and submitted it for further examination, another decision was issued by the Head, which the Company appealed on 15 June 2018.

   On 8 February 2019 AmRest Sp. z o.o. received the final decision issued by Tax Administration Chamber, which confirmed the decision of the first instance. Due to the fact that the decision was enforceable the Company has effectively paid the value of approx. PLN 4.2 million (approx. EUR 1.0 million) as a principal amount of tax liability (plus interest). The Company did not agree with the decision received and on 11 March 2019 filed the complaint to the Local Administrative Court. On 22 July 2019 the court of first instance ruled in favour of the Company and cancelled the decisions of the tax office (first and second instance). Tax Administration Chamber appealed to Supreme Administrative Court.

c. On 28 September 2016 a tax inspection began in AmRest Sp. z o.o. on VAT returns for 2012. On 11

September 2017 the Company received a decision issued by the Head of the Lesser Poland Customs and the Tax Office in Cracow ("Head"), which questioned the correctness of the output VAT settlement on a part of operational sales revenues. The Head claimed in its decision underestimated output VAT amounting to PLN 18.5 million (EUR 4.2 million).

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

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

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

On 8 February 2019 AmRest Sp. z o.o. received the final decision issued by Tax Administration Chamber regarding VAT returns for 2012 which confirmed the decision of the first instance. Due to the fact that the decision is enforceable the Company has effectively paid the value of approx. PLN 14.3 million (approx. EUR 3.3 million) as a principal amount of tax liability (plus interest). The Company does not agree with the decision received and on 11 March 2019 filed the complaint to the Local Administrative Court. On 22 July 2019 the court of first instance ruled in favour of the Company and cancelled the decisions of the tax office (first and second instance). Tax Administration Chamber appealed to Supreme Administrative Court.

Total payments, resulted from the proceedings mentioned above in point (b) and (c) included tax liability PLN 18.5 million (EUR 4.3 million) together with interests PLN 10.0 million (EUR 2.3 million). The amount PLN 28.5 million (EUR 6.6 million) was recognised as assets (receivables from tax authorities).

d. On 30 July 2018 a tax inspection began at AmRest Sp. z o.o. regarding VAT returns for the period December 2017 – March 2018. On 29 August 2018 the Company received the tax protocol and on 12 September 2018 the Company submitted its reservations. On 20 November 2018 tax office initiated tax proceeding. On 23 July 2019 AmRest Sp. z o.o. received the notification that the proceedings are suspended due to request for preliminary ruling submitted by Polish Supreme Administrative Court to Court of Justice of European Union.

   Despite the lack of a final decision from the tax office, in August 2018 Company received from the tax office cash payments for VAT receivables related to the described VAT settlements (with respective interest).

e. On 12 December 2018 a tax inspection started at AmRest Sp. z o.o. regarding VAT returns for the period April – September 2018. On 28 February 2019 AmRest Sp. z o.o. received the tax protocol issued by the Head of the Lower Silesia Tax Office which questioning that VAT settlements for the period. On 14 March 2019 the company filed the reservations to this protocol. On 25 March 2019 the company received the response to the submitted reservations. The Head of the Lower Silesia Tax Office upheld the allegations described in the protocol. On 1 August 2019 AmRest Sp. z o.o. received the notification that the proceedings are suspended due to request for preliminary ruling submitted by Polish Supreme Administrative Court to Court of Justice of European Union.

   Despite the lack of a final decision from the tax office, in January 2020 Company received from the tax office cash payments for VAT receivables related to the described VAT settlements (with respective interest).

f. On 17 May 2019 AmRest Sp. z o.o. received the notification that tax inspections have been initiated regarding the VAT settlements for the period from October 2018 to March 2019 (six separate tax inspections for every month). As at the date of publication of these consolidated financial statements, tax inspections have not been finished.

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

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

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

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

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

The Group analyzed the risk with regards to ongoing tax inspections related to VAT and assessed that it is more probable than not that the tax authority will finally accept the Companies VAT tax filings. The same conclusions have been taken considering external tax advisors. In reference to IFRIC 23 point 10, the Board of Directors' opinion states that there is no legal obligation for any cash outflows and there is no basis for the assessment of a higher probability that the risk would materialize. Therefore, the Group decided that as at 31 December 2019 and as at the date of publication of these Consolidate Annual Financial Statements, there are no obligating events, so there are no grounds for booking the provisions for the aforementioned risk.

g. On 23 February 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2016. On 26 November 2019 AmRest Sp. z o.o. received the decision questioning tax settlements in respect of recognition of interest cost on loans received from AmRest Finance Zrt. PLN 19.8 million (EUR 4.7 million) and claiming additional income amounted to PLN 15.2 million (EUR 3.6 million) resulting from VAT refund received in 2016. The said decision is not final and enforceable, ie. AmRest Sp. z o.o. was not obliged to pay the tax assessed by the Tax Authorities upon obtaining respective decision. The Company disagreed with conclusions presented in the decision and appealed against it on 10 December 2019.

h. On 26 November 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2013. On 26 November 2019 AmRest Sp. z o.o. received the decision questioning tax settlements in respect of recognition of interest cost on loans received from AmRest Finance Zrt. PLN 0.2 million (EUR 0.05 million) and claiming additional income amounted to PLN 7.5 million (EUR 1.8 million) resulting from VAT refund received in 2013. The said Decision is not final and enforceable, ie. AmRest Sp. z o.o. was not obliged to pay the tax assessed by the Tax Authorities upon obtaining respective decision. The Company disagreed with conclusions presented in the decision and appealed against it on 5 December 2019.

i. On 26 November 2018 a tax inspection began at AmRest Sp. z o.o. regarding CIT for 2014. On 26 November 2019 AmRest Sp. z o.o. received the decision questioning tax settlements in respect of recognition of interest cost on loans received from AmRest Finance Zrt. amounted to PLN 78.0 million (EUR 18.5 million) and claiming additional income amounted to PLN 2.1 million (EUR 0.5 million) resulting from VAT refund received in 2014. The said decision is not final and enforceable, i.e. AmRest Sp. z o.o. was not obliged to pay the tax assessed by the Tax Authorities upon obtaining respective decision. The Company disagreed with conclusions presented in the decision and appealed against it on 5 December 2019.

According to Polish regulations Tax Authority is also the appeal authority. In case The Tax authority upholds the decisions, it will be obliged to issue the final decisions. Taking into account the relevant regulations, the appeal authority is obliged to issue the final decisions. The tax authority has not issued the final decisions yet.

The Group analyzed the risk with regards to ongoing tax proceedings related to CIT and assessed that it is more probable than not that the tax authority will finally accept the Companies CIT tax filling. The same conclusions have been taken considering external tax advisors. In reference to IFRIC 23 point 10, the Board of Directors' opinion states that there is no legal obligation for any cash outflows and there is no basis for the assessment of a higher probability that the risk would materialize. Therefore, the Group decided that as at 31 December 2019 and as at the date of publication of these Consolidate Annual Financial Statements, there are no obligating events, so there are no grounds for booking the provisions for the aforementioned risk.

Tax inspections in other Group companies

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

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

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

   On 18 October 2018 the Company received a letter from the tax office extending the tax audit by including the financial year 2016, during the course of which the acquisition of the Company by AmRest was completed. According to said letter, the tax audit shall cover the following tax settlements: (1) separate and uniform determination of the income tax base including trade tax base and tax losses, (2) VAT, (3) trade taxes, (4) separate determination of the trade tax loss carryforwards, (5) separate and uniform determination of the withholding taxes and corporate income taxes. As at the date of publication of these consolidated financial statements, the inspection has not concluded.

c. On 26 June 2017 AmRest Topco France SAS ("Company"), received a letter from the tax office notifying a tax inspection regarding tax settlements for 2014 and 2015 and in respect of VAT returns submitted until 30 December 2016. On 21 September 2017 the Company was informed about the extension of the inspection by including the verification of the books for the period ended 30 November 2016. On 11 July 2018 the Company received a tax notification letter for which the relevant response was submitted within the deadline in September 2018. The tax auditor sent the answer on 24 September 2018. On 19 October 2018 the Company replied to the tax auditor requesting a hierarchical administrative appeal. On 8 April 2019, the Company received the agreement and confirm the final adjustment of the tax. The different penalties were settled in accordance with the agreements in 2019. The Tax audit for AmRest Topco France SAS is closed.

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

SAS a notification regarding the penalties and interests due. According to the final adjustment of the tax, the value of the tax losses to be carried forward decreased by immaterial amount.

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

f. On 10 January 2019 a tax inspection at AmRest SAS began regarding settlements for the period 1 January 2016 to 31 December 2016. The inspection is concluded as of the day of publication of these consolidated financial statements with not significant impact on the financial results of AmRest SAS.

There are no other contingent liabilities concerning pending audits and tax proceedings, other than those stated above.

36. Trade and other accounts payables

Trade and other accounts payables as at 31 December 2019 and 31 December 2018 cover the following items:

	31 December 2019	31 December 2018 (restated)
Payables to non-related entities, including:	**199.3**	**180.3**
Trade payables	100.9	91.0
Payables in respect of uninvoiced deliveries of food	10.5	9.3
Employee payables	16.9	17.3
Social insurance payables	17.1	15.0
Pre-acquisition tax settlements liability	2.7	2.3
Other tax payables	14.8	10.8
Investment payables	14.7	14.3
Other payables	21.7	20.3
Contract liabilities - loyalty programs	**0.6**	**0.7**
Contract liabilities - gift cards	**5.0**	**5.3**
Contract liabilities – initial fees	**3.1**	**3.7**
Accruals, including:	**67.8**	**51.0**
Employee bonuses	19.7	13.0
Marketing services	3.8	4.2
Holiday pay accrual	14.6	11.1
Professional services	5.4	4.9
Franchise fees	5.5	5.4
Lease cost provisions	6.1	5.5
Investment payables accrual	10.6	6.3
Other	2.1	0.6
Deferred income	**3.1**	**1.5**
Social fund	**0.6**	**0.5**
Total trade and other accounts payables	**279.5**	**243.0**

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

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

	2019	2018
Number of days:		
Average payment period to suppliers	23.43	22.78
Ratio of payments	23.93	22.96
Ratio of outstanding invoices	17.85	20.28
Millions of EUR:		
Total payments	186.5	176.8
Outstanding invoices	16.8	12.3

(all figures in EUR millions unless stated otherwise)

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

37. Future commitments and contingent liabilities

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

Other future commitments resulting from the agreements with Burger King, Starbucks and the current and future franchise agreements were described in notes 1 and 43e.

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

With regard to credit agreement described in note 31 the following Group entities provided surety: AmRest Kaffee Sp. z o.o., AmRest Coffee Deutschland Sp. z o.o. & Co.KG, AmRest DE Sp. z o.o. & Co.KG, AmRest KFT, OOO AmRest, OOO Chicken Yug, AmRest Coffee SRL, AmRest Tag S.L.U., Restauravia Food S.L.U., Pastificio Service S.L.U for the following banks Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., ING Bank Śląski S.A. in amount of EUR 660 million and PLN 1.545 million, till the date of debt payment however not later than 5 October 2025.

38. Transactions with related entities

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

Group shareholders

As at 31 December 2019, FCapital Dutch B.V. was the largest shareholder of AmRest and held 67.05% of its shares and voting rights, and as such was its related entity. No transactions with FCapital Dutch B.V. related parties were noted.

Transactions with key management personnel

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

	year ended	
	31 December 2019	**31 December 2018**
Remuneration of the members of the Board of Directors and Senior Management Personnel paid directly by the Group	4.0	3.0
Gain on share-based renumeration systems	23.2	1.1
Total compensation paid to key management personnel	**27.2**	**4.1**

Directors Remuneration Policy was approved at the general shareholders' meeting held on 6 June 2018 and will remain in force until 2021 unless the general shareholders' meeting so resolves to amend or replace it. According to the policy, Executive directors may receive additional remuneration for performing executive functions. In 2019, Mr. McGovern being the only executive director was entitled to a variable cash remuneration.

In addition, he also received a cash amount after the exercise of his share options granted under the MIP and SOP programs which were granted to him in his capacity as first executive of the Company, previous to and independent from his status as Board member.

The Group's key management personnel participates in the employee share option plans (note 33). The costs relating to the options amounted to EUR 3.1 million and EUR 3.2 million respectively in the years ended 31 December 2019 and 31 December 2018.

	year ended	
	31 December 2019	**31 December 2018**
Number of options outstanding (pcs, after split)	5 310 000	9 576 660
Number of available options (pcs, after split)	27 000	2 718 660
Fair value of outstanding options as at grant date (EUR millions)	13.1	17.0

As at 31 December 2019 and 2018, the Company had no outstanding balances with the key management personnel, apart from accruals for annual bonuses payable in first quarter of the following year. As at 31 December 2019 and 2018 the Company has not extended any advances to the Board of Directors or senior management personnel and had no pension fund, life insurance or other such commitments with these parties, except for the share option plans detailed above and in note 33. As at 31 December 2019 and 31 December 2018 there were no liabilities to former employees.

Conflicts of interest concerning the Board Directors

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

Other related entities

Metropolitan Properties Investment Sp. z o.o (previously Metropolitan Properties International Sp. z o.o) is a closely related company to Mr Henry McGovern, who was a member of the Board of Directors of AmRest Holdings SE till May 2019.

The Group leases three restaurants from Metropolitan Properties Investment Sp. z o.o. on conditions similar to those lease agreements concluded with third parties.

Metropolitan Properties Investment met the definition of closely related company to Mr Henry McGovern and related party to AmRest Group till May 2019.

Rental fees and other charges paid to Metropolitan Properties Investment Sp. z o.o. amounted to EUR 0.2 million in a period from 1 January 2019 to 10 May 2019 and EUR 0.4 million in year 2018.

There were no material receivables and payables from Metropolitan Properties Investment Sp. z o.o. as at 31 December 2019 and 31 December 2018.

39. Financial instruments

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

The details about the equity instrument measured at fair value including level in the fair value hierarchy and valuation techniques are described in the note 21.

In December 2019 the Group transferred equity instrument measured at fair value between levels of fair value hierarchy: from Level 3 to Level 2 (details in note 21).

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

(all figures in EUR millions unless stated otherwise)

31 December 2019	Note	FVTPL	Financial assets at amortized cost	Financial liabilities at amortized cost
Financial assets measured at fair value				
Equity instruments	21	76.2	-	-
Financial assets not measured at fair value				
Rental deposits	22	-	20.6	-
Trade and other receivables	24	-	65.2	-
Cash and cash equivalents	26	-	106.2	-
Financial liabilities not measured at fair value				
Loans and borrowings	31	-	-	617.8
SSD	31	-	-	102.3
Lease liabilities	17	-	-	864.1
Trade and other liabilities	36	-	-	181.3

31 December 2018 *(restated)*	Note	FVTPL	Financial assets at amortized cost	Financial liabilities at amortized cost
Financial assets measured at fair value				
Equity instruments	21	26.9	-	-
Financial assets not measured at fair value				
Rental deposits	22	-	20.9	-
Trade and other receivables	24	-	35.1	-
Cash and cash equivalents	26	-	118.4	-
Financial liabilities not measured at fair value				
Deferred payment of Sushi Shop acquisition		-	-	17.1
Loans and borrowings	31	-	-	559.5
SSD	31	-	-	102.3
Finance lease liabilities	17	-	-	2.4
Trade and other liabilities	36	-	-	161.8

Risk management

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

Credit risk

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

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

The maximum credit risk exposure on trade and other receivables and cash and cash equivalents amounts to EUR 210.8 million.

Cash and cash equivalents

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

Trade receivables

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

(all figures in EUR millions unless stated otherwise)

- Restaurant sales,
- Franchise and other sales.

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

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

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

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

During year 2019 the Group recognised an impairment of the Group's receivables exposed to credit risk in an net amount of EUR 4.1 million.

The ageing break-down of receivables and receivable loss allowance as at 31 December 2019 and 31 December 2018 is presented in the table below.

	Current	**Overdue in days**				**Total**
2019	current	less than 90	91 - 180	181 - 365	more than 365	
Trade and other receivables	97.6	5.0	3.0	3.6	3.5	**112.7**
Loss allowance (note 24)	(0.1)	(0.3)	(1.6)	(3.3)	(2.8)	**(8.1)**
Total	**97.5**	**4.7**	**1.4**	**0.3**	**0.7**	**104.6**

	Current	**Overdue in days**				**Total**
2018 (restated)	current	less than 90	91 - 180	181 - 365	more than 365	
Trade and other receivables	42.1	10.5	3.0	1.6	2.5	**59.7**
Loss allowance (note 24)	(0.7)	(0.9)	-	(0.1)	(2.5)	**(4.2)**
Total	**41.4**	**9.6**	**3.0**	**1.5**	-	**55.5**

Value of loss allowance for receivables as at 31 December 2019 and 31 December 2018 is presented in table below:

	31 December 2019	**31 December 2018**
Value at the beginning of the period	4.2	3.2
Allowance created	4.6	2.8
Allowance released	(0.5)	(1.3)
Other	(0.2)	(0.5)
Value at the end of the period	**8.1**	**4.2**

Interest rate risk

Bank borrowings drawn by the Group are most often based on fluctuating interest rates (note 31). As at 31 December 2019 the Group does not hedge against changes in cash flows resulting from interest rate fluctuations which have an impact on the results. The Group analyses the market position relating to interest on loans in terms of potential refinancing of debt or renegotiating the lending terms and conditions. The impact of changes in interest rates on results is analyzed in quarterly periods.

(all figures in EUR millions unless stated otherwise)

Had the interest rates on loans denominated in Polish zlotys during the 12 months ended 31 December 2019 been 30 base points higher/lower, the profit before tax for the period would have been EUR 406 thousand lower/higher (2018: EUR 407 thousand).

Had the interest rates on loans denominated in Czech crowns during the 12 months ended 31 December 2019 been 30 base points higher/lower, the profit before tax for the period would have been EUR 8 thousand lower/higher (2018: EUR 31 thousand).

Had the interest rates on loans denominated in euro during the 12 months ended 31 December 2019 been 30 base points higher/lower, the profit before tax for the period would have been the same (2018: EUR 98 thousand lower/higher).

Foreign exchange risk

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

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

Net investment foreign currency valuation risk

The Group is exposed to risk of net investment valuation in subsidiaries valued in foreign currencies. This risk is hedged for key positions with use of net investment hedge. Details concerning hedging on currency risk are described in note 27.

Liquidity risk

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

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

The maturity break-down of long- and short-term borrowings as well as trade and other liabilities as at 31 December 2019 and 31 December 2018 is presented in the table below:

	31 December 2019				**31 December 2018** *(restated)*			
	Trade and other liabilities	**Loan instalments**	**Interest and other charges**	**Total**	**Trade and other liabilities**	**Loan instalments**	**Interest and other charges**	**Total**
Up to 1 year	181.3	64.1	15.9	261.3	161.8	6.4	21.3	189.5
Between 1 and 2 years	-	58.1	13.0	71.1	-	56.2	19.7	75.9
Between 2 and 3 years	-	561.5	10.0	571.5	-	55.0	16.3	71.3
Between 3 and 4 years	-	-	0.9	0.9	-	507.4	12.6	520.0
Between 4 and 5 years	-	38.5	0.4	38.9	-	-	0.9	0.9
More than 5 years	-	-	0.4	0.4	-	38.9	0.4	39.3
Payable gross value	**181.3**	**722.2**	**40.6**	**944.1**	**161.8**	**663.9**	**71.2**	**896.9**
Not amortised loan cost	-	(2.1)	-	(2.1)	-	(2.1)	-	(2.1)
Payable net value	**181.3**	**720.1**	**40.6**	**942.0**	**161.8**	**661.8**	**71.2**	**894.8**

Capital risk

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

At 2019 and 2018 year end the leverage ratios were met.

(all figures in EUR millions unless stated otherwise)

40. Seasonality of sales

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

41. Audit fees

KPMG Auditores, S.L., and other related companies as defined in the fourteenth additional provision of legislation governing the reform of the financial system, rendered professional services to the Group during the years ended 31 December 2019 and 2018, the fees and expenses for which are as follows:

2019	KPMG Auditores, S.L.	Other entities affiliated with KPMG International	Other auditors	Total
Audit and other assurance services	0.3	0.7	0.3	1.3
Tax advisory services	-	-	-	-
Other services	-	-	-	-
	0.3	0.7	0.3	1.3

2018	KPMG Auditores, S.L.	Other entities affiliated with KPMG International	Other auditors	Total
Audit and other assurance services	0.3	0.4	0.4	1.1
Tax advisory services	-	-	-	-
Other services	-	-	0.2	0.2
	0.3	0.4	0.6	1.3

Other assurance services include, mainly, limited review of the Condensed Consolidated Interim Financial Statements for the six-month period ending 30 June 2019 and other agreed upon-procedures performed by the auditors.

The amounts detailed in the above table include the total fees for 2019 and 2018, irrespective of the date of invoice.

42. Events after the reporting period

On 28 February 2020 AmRest Holding's SE registered office was changed from Enrique Granados 6, 28224 Pozuelo de Alarcón (Madrid), Spain to Paseo de la Castellana 163, 28046 (Madrid), Spain.

43. Significant accounting policies

a. Basis of consolidation

Business combinations

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

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

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

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

Subsidiaries

Subsidiaries are entities controlled by the Group.

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

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

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

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

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

Non-controlling interests and transactions with non-controlling interests

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

Interests in equity-accounted investees

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

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

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

Transactions eliminated on consolidation

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

b. Foreign currency

Functional currencies and presentation currency

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

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

The Group uses European Central Bank's exchange rates for currency translations.

The functional currency of none of the subsidiaries is the currency of a hyperinflationary economy as at 31 December 2019.

Foreign currency transactions

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

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

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

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

Foreign operations

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

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

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

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

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

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

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

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

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

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

d. Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. Generally, the Group uses the incremental borrowing rates as the discount rates.
The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources (differentiated by currency of the debt) and makes certain adjustments to reflect the terms of the lease, based on long-term IRS quotation.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made (amortised cost using the effective interest method). It is remeasured when there is:

- a change in future lease payments arising from a change in an index or rate,
- a change in the estimate of the amount expected to be payable under a residual value guarantee, or
- changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group incurs expenses on maintenance, security and promotion in the shopping malls (so called “common area charges”). These items are separate services (non-lease components) and are recognised as an operating expenses.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expenses on a straight-line basis over the lease term.

The Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and included in other income in the income statement.

Policy applicable before 1 January 2019

Group as a lessee

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

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

Finance lease

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

Operating lease/rent cost

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

Group as a lessor

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

e. Revenues

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

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

Restaurant sales

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

Franchise and other sales: owned brands

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

Franchise and other sales: master-franchise agreements

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

Performance obligations identified:

- AmRest's performance obligation to YUM: to develop the market by opening new restaurants (either AmRest own or sub-franchises) and promote the YUM's brand by performing marketing activities. Managing marketing fund is not distinct from the development of the market, and no separate remuneration was agreed between parties for those services. Various streams of cash flows are agreed in MFA: AmRest collects initial fees and transfers them to YUM, AmRest manages the marketing fund (collects revenue based contributions from owned and sub-franchised restaurants and spends them on marketing activities, any unspent amount is to be paid to YUM and YUM spends it on national campaigns at its discretion). If a certain point of market development level is reached, AmRest is enabled to receive a bonus that represents the transaction price for the service performed for the Master Franchisor. To reflect the substance of the transaction, cash flows received from sub franchisees from initial and marketing fees are netted with the initial fees paid/actual marketing expenses and bonus earned.
- AmRest's performance obligation to sub-franchisees: to grant sub-franchisees the right to use the system, system property etc. and other services solely in connection with the conduct of the business at the outlet (sub-licensing from YUM). The transaction price is agreed in the form of sales based royalties paid by franchisees. Initial fees and renewal fees paid by franchisees are part of other performance obligations (described above). Corresponding costs of acquiring license right from Yum are presented within costs of sales of franchise activities in the line "Franchise and other expenses".

Loyalty points programs

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

When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points.

Gift cards

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

f. Income tax

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

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

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

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

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

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

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

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

g. Property, plant and equipment

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

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

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

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

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

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

Amortisation and depreciation

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

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

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

** over the lease term*

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

h. Franchise, license agreements and other fees

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

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

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

i. Intangible assets

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

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

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

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

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

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

Amortisation

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

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

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

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

The estimated useful lives of assets are as follows:

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

j. Goodwill

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

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

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

Goodwill of foreign operations is translated into euro at the exchange rates at the reporting date. Gains and losses on the disposal of an entity include the carrying amount of goodwill allocated to the entity sold.

k. Impairment of non-financial assets

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

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

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

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

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

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

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

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

Group performs in general two types of impairment tests: on restaurant levels, when impairment indicators exists and for businesses were goodwill is assigned or impairment indicators identified.

Restaurants tests- procedure performed twice a year

Usually individual restaurants are considered separate CGUs in Group.

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

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

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

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

Upon application of the IFRS 16 carrying amount of the tested restaurants includes also carrying amount of right of use of assets in respective restaurants. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Discounted cash flows do not include outflows relates to rental agreements as those are considered an element of financing under IFRS 16 and reflected in discount rate applicable for test. Carrying amount of lease liabilities is included in carrying amount of CGU. Lease labilities are also deducted from discounted cashflows.

Goodwill tests- unless impairment indicators exist, procedure performed once a year

For businesses where goodwill is allocated impairment tests are performed at least once a year. Goodwill is testes together with intangibles (including those with indefinite useful lives), property plant and equipment, right of uses assets as well other non-current assets allocated to groups of CGUs where goodwill is monitored. If impairment indicators exist additional tests are performed. Following indicators are analyzed:

Arising from external sources of information such as:

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

Arising from internal sources of information, including:

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

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

The recoverable amounts is assessed using fair values less costs of disposal model based on the discounted cash flows. Post tax rate is applied, and implied pre-tax rate subsequently determined. Lease liabilities are included in carrying amount of tested business reducing the maximum possible impairment. Lease outflows are included l in cash flow projections in the impairment model.

Sensitivity analysis is performed as an element of impairment tests procedures.

l. Investment properties

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

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

m. Inventories

Inventories include mainly materials and goods for resale. Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

n. Cash and cash equivalents

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

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

o. Financial assets

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

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

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

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

Recognition and derecognition

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

Measurement

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

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss,
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss,
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

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

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

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

Impairment

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

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

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

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

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

The Group applied the simplified approach for:

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

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

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

p. Financial liabilities

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

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

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

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

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

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

q. Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to profit or loss for the period.

The Group designates certain derivatives as either:

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

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

Cash flow hedge

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

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

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

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

Net investment hedge

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

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

Hedge is effective if:

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

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

r. Share based payments and employee benefits

Share-based payments

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

Equity-settled transactions

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

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

Cash-settled transactions

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

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

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

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

Long-term employee benefits based on years in service

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

Retirement benefit contributions

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

s. Provisions

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

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

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

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

The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed periodically and adjusted if needed.

Onerous contracts (for lease contracts applicable until 1 January 2019)

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

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

t. Equity

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

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

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

The effect of the following transactions is presented under reserves:

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

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

Treasury shares

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

44. Changes in accounting policies, reclassification and restatement of comparatives summary

a. Restatement of comparatives: final acquisitions accounting

Statement of financial position for the year ended 31 December 2018 was restated as a consequence of changes due to final purchase price accounting.

31 December 2018	Published EUR million	Adjustment 1 EUR million	Adjustment 2 EUR million	Restated EUR million
Assets				
Property, plant and equipment	500.9	-	0.5	501.4
Goodwill	368.7	(1.9)	(9.9)	356.9
Intangible assets	240.8	3.4	17.0	261.2
Investment properties	5.2	-	-	5.2
Financial assets measured at fair value	26.9	-	-	26.9
Other non-current assets	26.4	-	0.7	27.1
Deferred tax assets	22.1	(0.8)	-	21.3
Total non-current assets	**1 191.0**	**0.7**	**8.3**	**1 200.0**
Inventories	25.7	-	-	25.7
Trade and other receivables	61.9	-	(6.4)	55.5
Corporate income tax receivables	8.0	-	(0.8)	7.2
Other current assets	36.3	-	(1.3)	35.0
Cash and cash equivalents	118.4	-	-	118.4
Total current assets	**250.3**	-	**(8.5)**	**241.8**
Total assets	**1 441.3**	**0.7**	**(0.2)**	**1 441.8**
Equity				
Share capital	22.0	-	-	22.0
Reserves	206.1	-	-	206.1
Retained earnings	231.5	-	-	231.5
Translation reserve	(38.9)	-	-	(38.9)
Equity attributable to shareholders of the parent	**420.7**	-	-	**420.7**
Non-controlling interests	9.9	-	-	9.9
Total equity	**430.6**	-	-	**430.6**
Liabilities				
Interest-bearing loans and borrowings	655.8	-	-	655.8
Lease liabilities	1.8	-	-	1.8
Employee benefits liability	1.7	-	-	1.7
Provisions	14.8	0.7	-	15.5
Deferred tax liability	46.2	-	3.3	49.5
Other non-current liabilities	25.1	-	1.9	27.0
Total non-current liabilities	**745.4**	**0.7**	**5.2**	**751.3**
Interest-bearing loans and borrowings	6.0	-	-	6.0
Lease liabilities	0.6	-	-	0.6
Trade and other accounts payable	246.9	-	(3.9)	243.0
Corporate income tax liabilities	11.8	-	(1.5)	10.3
Total current liabilities	**265.3**	-	**(5.4)**	**259.9**
Total liabilities	**1 010.7**	**0.7**	**(0.2)**	**1 011.2**
Total equity and liabilities	**1 441.3**	**0.7**	**(0.2)**	**1 441.8**

Adjustment 1 – effect of final PPA of KFC France acquisition described in note 7
Adjustment 2 – effect of final PPA of Sushi Shop described in note 7

b. Restatement of comparatives: reclassification

During 2019 the Group undertook a detailed review of delivery fee expenses and noticed that all delivery fees and expanse were presented as payroll costs, irrespective if incurred internally or externally.

In current financial statements Group presents external delivery fees in a “Occupancy and other operating expenses” section, with further analytical presentation by nature as “External services - other”. In prior period those costs were presented as payroll.

Due to change in presentations Group adjusted data for comparative period, by restating each of the affected financial statements line items for the prior period as follows:

year ended **31 December 2018**	**Published** EUR million	**Adjustment** EUR million	**Restated** EUR million
Payroll, social security and employee benefits	(375.1)	17.9	(357.2)
Occupancy and other operating expenses	(433.4)	(17.9)	(451.3)
Total operating costs and losses	**(1 477.3)**	**-**	**(1 477.3)**
Profit from operations	**71.6**	**-**	**71.6**
Profit for the period	**41.3**	**-**	**41.3**

The respective notes were marked as “restated”.

There is no impact on the Group’s net profit, basic or diluted earnings per share and no impact on the cash flows for the year ended 31 December 2018.

c. Changes in significant accounting policies due to adoption of new standards, interpretations and amendments

▪ IFRS 16 Leases

Application of IFRS 16 had substantial effect on financial reporting of AmRest Group. Details were disclosed in note 5.

Comparative data were not restated.

▪ Other newly applied standards, amendments and interpretations

The amendments and interpretations below were applied in 2019 and had no significant impact on the accounting policies applied.

IFRIC 23 Uncertainty over Income Tax Treatments

This interpretation addresses accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. This interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately,
- The assumptions an entity makes about the examination of tax treatments by taxation authorities,
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates,
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Annual Improvements to IFRSs 2015-2017 cycle

These improvements include:

IFRS 3 Business Combinations: The amendments clarify that when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

IFRS 11 Joint Arrangements: A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

IAS 12 Income Taxes: The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

IAS 23 Borrowing Costs: The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. Group's practice was in line with these amendments.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event,
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarify that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

45. Standards issued but not yet effective

A number of amendments to standards is effective for annual periods beginning after 1 January 2020 and earlier application is permitted. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. Amendments are effective and applied by Group from 1 January 2020.

Amendments to IAS 1 and IAS 8: Definition of Material

The new definition of "material" states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. Amendments are effective and applied by Group from 1 January 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). Amendments are effective for annual periods beginning on or after 1 January 2020 and do not apply to Group.

Below standards and are issued but not yet approved by European Union. The Group will apply the standard once approved by the European Union.

Amendments to IFRS 3 Business Combinations: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments are to be applied prospectively and will be reflected in accounting for future transactions of Group.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts (IFRS 17) is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of liabilities as current or non-current

The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. The amendments clarify the situations that are considered settlement of a liability. The new guidance will be effective for annual periods starting on or after 1 January 2022. The amendments are to be applied prospectively and will be reflected in accounting for future transactions of Group.

Signatures of the Board of Directors

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

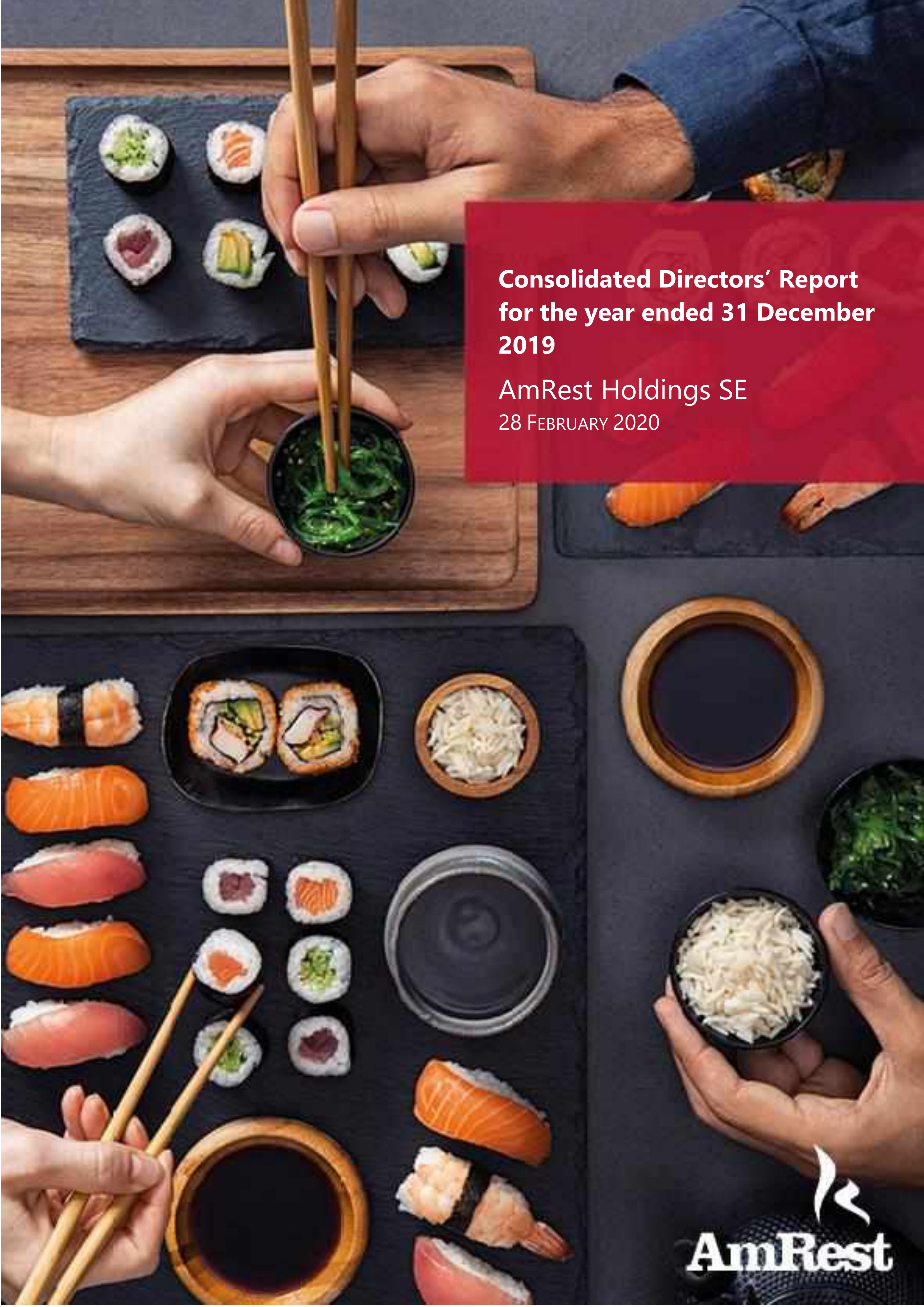
Emilio Fullaondo Botella
Member of the Board

Romana Sadurska
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mustafa Ogretici
Member of the Board

Madrid, 28 February 2020



Consolidated Directors' Report for the year ended 31 December 2019

AmRest Holdings SE

28 FEBRUARY 2020

AmRest

Contents

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

It is a great pleasure for me to present herein the AmRest Holdings SE financial report for the full year 2019.

It was a year characterized by meaningful strategic and operational progress and by organizational changes in preparation for the company's continued future success. The appointment of the new CEO and several members of the executive team set the tone for our strategy to build on the foundations focused on operating a portfolio of class-leading brands, employing the best and most committed people in the industry, and leveraging the scale we have gained across the markets where we are active.

During the company's annual strategic offsite meeting, the Board of Directors established the priorities for the coming years, which include accelerating organic expansion through franchisees and a disciplined mergers & acquisitions strategy; increasing profitability, mainly in Western Europe; continuing our efforts to consolidate leadership in the home delivery segment; maintaining healthy leverage levels; offering our employees exciting growth opportunities; and continuing to support our corporate social responsibility initiatives. The purpose of all this is to transform AmRest into the leading and most profitable restaurant operator in Europe.

The mindset of growth is deeply ingrained in every single employee and evident in actions at every level, from executive to store management. We have successfully adapted to an environment of constant change and cost headwinds, while continuing to expand our business at a dynamic pace and to strengthen our leadership position across markets and roles within the organization.

AmRest's operational skills and execution at the restaurant level have been well supported by our initiatives focusing on digitalization, efficient supply chain management, and strategies in online food delivery, all of which contributed to another year of solid performance. Consolidated revenue increased by 27% year over year, to EUR 1 962 million; even adjusting for recently acquired businesses, revenue grew 16.4%. The group's comparable EBITDA (excluding IFRS 16) grew 43% and reached EUR 248 million. In 2019 the company opened 264 new restaurants, for a total of 2,339, and we are well positioned to accelerate the pace of organic expansion in the upcoming years. We see substantial room for growth and are confident that our teams are capable of supporting and executing our plans very well.

Following a series of acquisitions over the course of the past few years, in the last twelve months we focused on the integration and reorganization of the acquired businesses in order to optimize business setup and models, leverage identified synergies, and prepare the brands for accelerated growth. Importantly, we have successfully aligned the businesses we have acquired with AmRest's communication, strategy, and culture. Going forward, we will begin to see the benefits of integration efforts that we embarked on last year and continue to unlock additional synergies focusing mainly on supply, product development, procurement, and services.

The Digital and Delivery division has been an important contributor to growth over the past year and will remain an important focus for us going forward. We have enhanced our capabilities by adding experienced people to our team and we have continued to roll-out digital self-ordering machines—or kiosks—across our Central-East European markets for KFC and Burger King restaurants, thereby significantly increasing the average spend per customer and driving same store sales and margin. We have successfully completed the roll-out of kiosks in all of KFC Poland, while Czech Republic and Hungary are still in progress. Despite the fact that digital continue to be in the initial stages in terms of software development and upselling capabilities, the resulting efficiency gains so far make us confident and committed to further our efforts in this field.

We have also focused on calibrating the strategy for food delivery, combining our own capabilities with services offered by third-party aggregators and marketplace platforms. We have successfully established beneficial partnerships with leading aggregators leveraging our brand portfolio and scale. In addition, we launched our first delivery-only (shadow) kitchen, which was powered by our virtual brands late last year, giving us a tremendous competitive advantage. Our most recent disposal of PizzaPortal allowed us to monetize on a meaningful financial gain. In addition, our partnership with Glovo will help us build further scale and market share in Poland. We intend to stay at the forefront of technology innovations in the foodservice industry.

AmRest has successfully developed a uniquely positioned platform, characterized by a strong portfolio of top-tier brands; a well-integrated foodservice division that has benefited from increasingly advantageous trade terms while remaining focused on the sustainability of sourcing; a newly established franchise team that has enabled us to use our brands in a more asset-light mode of expansion; as well as a unique exposure to digital and delivery.

Our most important assets, however, are our employees who are serving customers in our restaurants every day. It is thanks to their positive energy, passion, commitment to excellence, and unmatched hospitality that our guests receive best-in-class service.

I would like to take this opportunity to thank our whole team for making AmRest such a great and unique company and to express my appreciation, on my behalf and that of the Board of Directors, to our shareholders and stakeholders for their trust and continued support of AmRest.

José Parés Gutiérrez

Chairman of the Board of Directors

FINANCIAL HIGHLIGHTS (CONSOLIDATED DATA)

	year ended			3 months ended		
	31 December 2019 with IFRS 16	**31 December 2019 w/o IFRS 16**	**31 December 2018**	**31 December 2019 with IFRS 16**	**31 December 2019 w/o IFRS 16**	**31 December 2018** (restated*)
Revenue	1 961.5	1 961.5	1 546.9	529.0	529.0	442.9
EBITDA**	394.4	247.8	173.2	128	89.9	48.3
EBITDA margin	20.1%	12.6%	11.2%	24.2%	17.0%	10.9%
Adjusted EBITDA***	369.2	223.9	187.8	96.4	58.7	55.4
Adjusted EBITDA margin	18.8%	11.4%	12.1%	18.2%	11.1%	12.5%
Profit from operations (EBIT)	105.6	100.0	71.6	32.6	29.0	18.6
EBIT margin	5.4%	5.1%	4.6%	6.2%	5.5%	4.2%
Profit before tax	93.4	113.2	57.5	55.5	55.8	15.2
Net profit	66.9	82.6	41.3	38.7	39.2	10.1
Net margin	3.4%	4.2%	2.7%	7.3%	7.4%	2.3%
Net profit attributable to non-controlling interests	1.8	2.1	(1.7)	0.7	0.7	(0.6)
Net profit attributable to equity holders of the parent	65.1	80.5	43.0	38.0	38.5	10.7
Cash flows from operating activities	325.7	177.4	163.8	147.7	75.7	46.2
Cash flows from investing activities	(220.0)	(220.0)	(421.0)	(110.2)	(110.2)	(277.0)
Cash flows from financing activities	(117.1)	31.2	241.9	(53.8)	18.2	236.0
Total cash flows, net	(11.4)	(11.4)	(15.3)	(16.3)	(16.3)	5.2
Equity (as at 31 December 2019 and 2018 respectively)	476.7	492.5	430.6	476.7	492.5	430.6
Total assets (as at 31 December 2019 and 2018 respectively)	2 435.0	1 592.3	1 441.8	2 435.0	1 592.3	1 441.3
Average weighted number of ordinary shares for basic earnings per shares (in thousands)	220 567	220 567	214 981****	219 232	219 232	220 252
Average weighted number of ordinary shares for diluted earnings per shares (in thousands)	221 480	221 480	216 853	219 931	219 931	221 768
Basic earnings per share (EUR)	0.30	0.36	0.20	0.17	0.18	0.05
Diluted earnings per share (EUR)	0.29	0.36	0.20	0.17	0.18	0.05
Declared or paid dividend per share	-	-	-	-	-	-

**The restatement concerns bargain gain on Pizza Hut Russia acquisition of EUR 1.0 million and was described in the note 9 to the Condensed Consolidated Financial Statements for 6 months ended 30 June 2019.*
*** EBITDA – Operating profit before depreciation, amortization and impairment losses*

(all figures in EUR millions unless stated otherwise)

****Adjusted EBITDA – EBITDA adjusted for new openings expenses (Start-up costs), M&A expenses; all material expenses connected with successful acquisition covering professional services (legal, financial, other) directly connected with a transaction or profit/loss on sale of shares/entities and effect of SOP exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan).*
*****Weighted average number of ordinary shares for basic EPS and diluted EPS was recalculated, taking into account options under share based programs within the Group. The adjustment to the weighted average number of ordinary shares does not change the basic and diluted EPS.*

	As at 31 December 2019	As at 31 December 2018
Total assets	2 435.0	1 441.8
Total liabilities	1 958.3	1 011.2
Non-current liabilities	1 459.4	751.3
Current liabilities	498.9	259.9
Equity attributable to shareholders of the parent	467.2	420.7
Non-controlling interests	9.5	9.9
Total equity	476.7	430.6
Share capital	22.0	22.0
Number of restaurants	2 339	2 139

GROUP BUSINESS OVERVIEW

Basic services provided by the Group

AmRest Holdings SE ("AmRest", "Company") with its subsidiaries (the "Group") is one of the leading publicly listed European restaurant operators, present in 26 countries of Europe and Asia. The portfolio of the Group consists of four franchised brands (KFC, Pizza Hut, Starbucks, Burger King) and eight proprietary brands including three virtual brands (La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop, and virtual brands Pokaï, Lepieje and 'Oi Poke).

As at 31 December 2019, AmRest managed the network of 2 339 restaurants. Given the current scale of the business, every day more than 51 thousand AmRest employees deliver delicious taste and exceptional service at affordable prices, in accordance with the Company's unique culture.

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

1) Central and Eastern Europe ("CEE"), where historically the Company was founded and opened its first restaurant under the name of Pizza Hut; today CEE division covers the region of 10 countries (Poland, Czech Republic, Hungary, Bulgaria, Serbia, Croatia, Romania, Austria, Slovenia and Slovakia) and with 994 restaurants under umbrella it accounts for ca. 43% of revenues of the Group;
2) Russia, where AmRest manages the network of KFC and Pizza Hut restaurants. The segment includes also Pizza Hut restaurants located in Armenia and Azerbaijan;
3) Western Europe ("WE"), a segment which primarily consists of Spain, France and Germany, where both franchised and proprietary brands are operated; as a result of dynamic organic expansion supported by recent acquisitions, division of Western Europe has become a significant operating segment of the Group consisting of 12 countries and generating ca. 40% of AmRest's revenues;
4) China, where the networks of two proprietary brands are operated: Blue Frog and Kabb.

One additional segment which is "Other" does not include any network of owned or franchised restaurants and accounts for the results of SCM Sp. z o.o. along with its subsidiaries, Restaurant Partner Polska (PizzaPortal) till

October 2019, and other support costs and functions rendered for the Group or not allocated to applicable segments such as, for instance, Executive Team, Controlling, Treasury, Investor Relations, Mergers & Acquisitions, The detailed description of the segments is included in Note 6 of the Consolidated Financial Statements.

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

1) Quick Service Restaurants ("QSR"), represented by KFC and Burger King,
2) Fast Casual Restaurants ("FCR"), represented by Pizza Hut Delivery and Express, Bacoa and Sushi Shop,
3) Casual Dining Restaurants ("CDR"), represented by Pizza Hut Dine-in, La Tagliatella, Blue Frog and KABB
4) Coffee category, represented by Starbucks.
5) Virtual brands, represented by Pokaï, Lepieje and 'Oi Poke

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

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

Activity in aggregator area

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

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

Structure of revenues

Consolidated revenues of AmRest Group amounted to EUR 1 961.5 million in 2019, which represented a 26.8% growth compared with the previous year (EUR +414.6 million). Main drivers of such a dynamic growth were:

- Positive sales trends in comparable restaurants ("like-for-like, LFL") in all franchised brands and vast majority of markets of AmRest's operations,
- Continued expansion of restaurant network through organic growth. In 2019 AmRest opened 264 new restaurants,
- Consolidation of revenues from M&A projects executed in 2018 (i.e. acquisition of Sushi Shop Group, 19 restaurants KFC France, Pizza Hut Russia and Bacoa brand in Spain). Consolidated revenues of the abovementioned businesses amounted EUR 213.7 million in 2019.

(all figures in EUR millions unless stated otherwise)

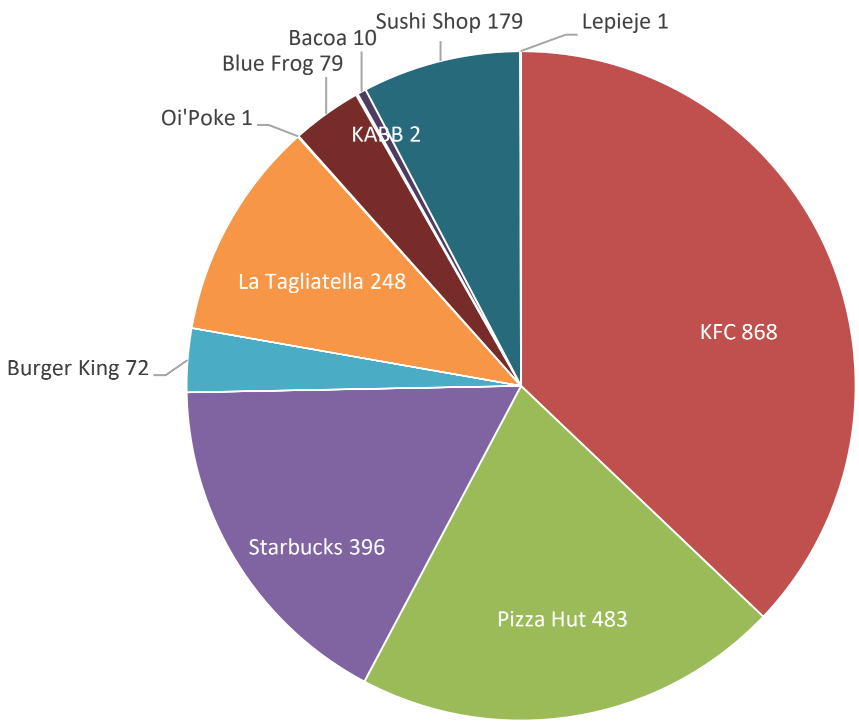
Table 1 Structure of Group's revenue

	year ended			
	31 December 2019		31 December 2018	
Revenue	Amount	Share	Amount	Share
Central and Eastern Europe	839.3	42.8%	717.6	46.4%
Western Europe	796.6	40.6%	569.8	36.8%
Russia	206.6	10.5%	168.6	10.9%
China	89.6	4.6%	73.6	4.8%
Other*	29.4	1.5%	17.3	1.1%
Total	**1 961.5**	**100.0%**	**1 546.9**	**100.0%**

**Revenues of SCM Group and Pizzaportal.pl (until end of October 2019)*

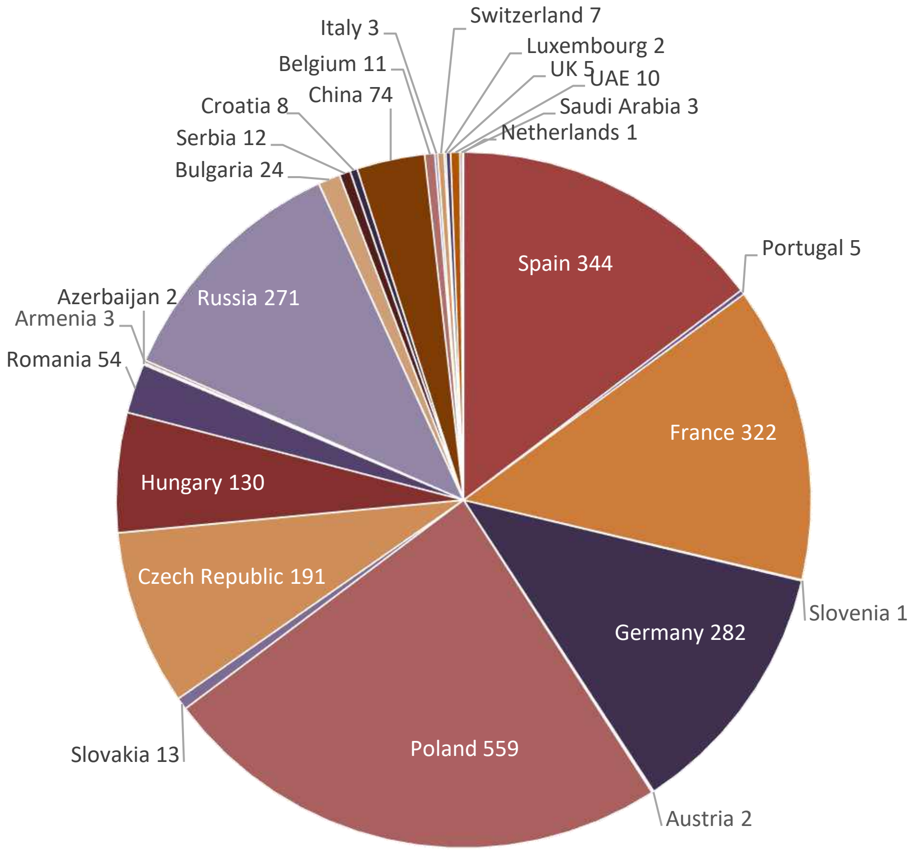
The seasonality of sales and inventories of AmRest Group is not significant which is typical for the whole restaurant industry. The restaurants typically achieve lower revenues in the first half of the year, which is the result of lower number of days of sales in February as well as relatively less frequent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

Number of AmRest restaurants broken down by brands as at 31 December 2019*



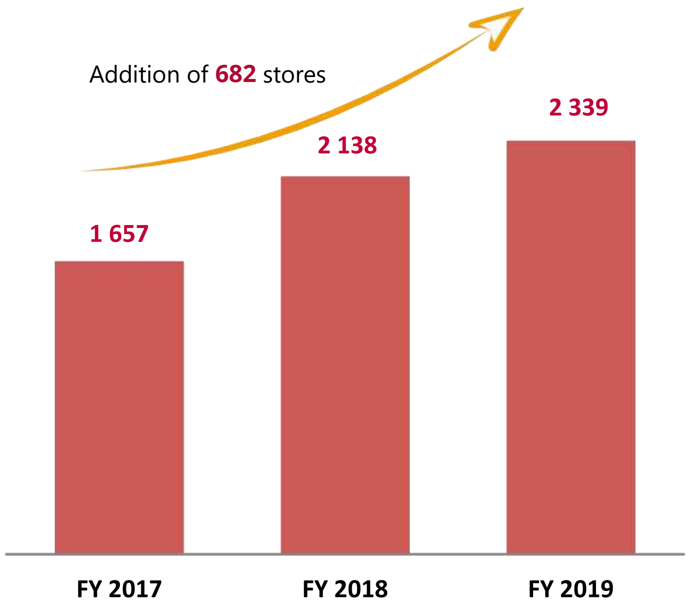
** Including restaurants operated by franchisees of La Tagliatella, Pizza Hut, Bacoa, Blue Frog and Sushi Shop brands as well as Starbucks licensed stores*

Number of AmRest restaurants broken down by countries as at 31 December 2019*



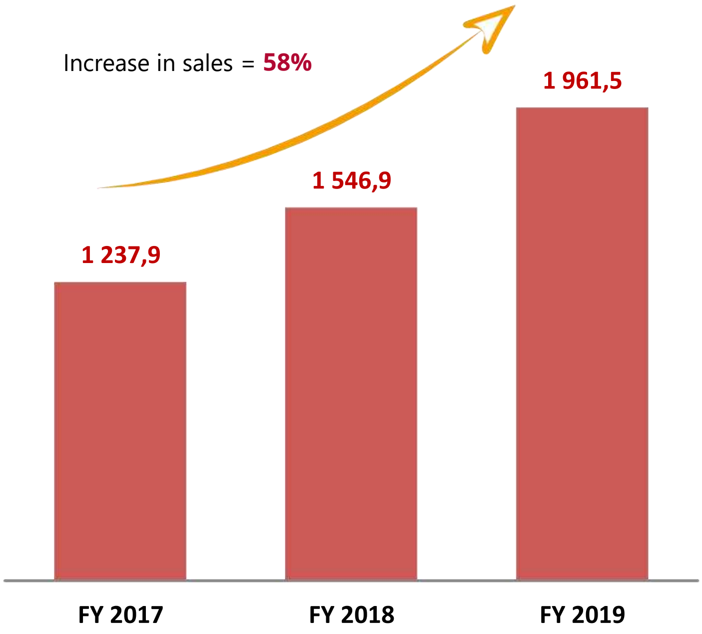
** Including restaurants operated by franchisees of La Tagliatella, Pizza Hut, Bacoa, Blue Frog and Sushi Shop brands as well as Starbucks licensed stores*

Number of AmRest Group restaurants as at 31 December 2017-2019*

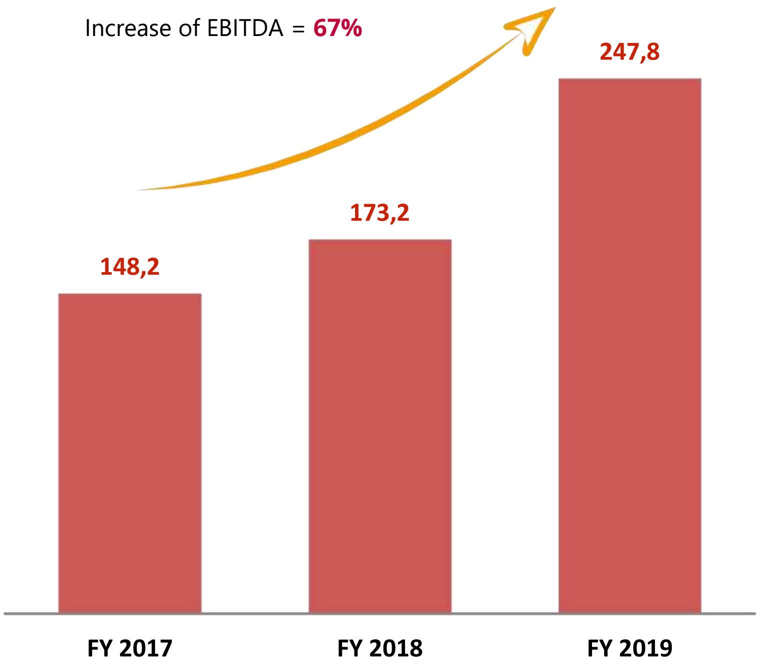


* Including restaurants operated by franchisees and Starbucks licensed stores

AmRest Group revenue for the 12 months ended 31 December 2017-2019



AmRest Group non-IFRS 16 EBITDA for the 12 months ended 31 December 2017-2019



FINANCIAL AND ASSET POSITION OF THE GROUP

Revenue

Consolidated revenues of the AmRest Group amounted to EUR 1 961.5 million in 2019 and were 26.8% higher compared to the previous year (EUR +414.6 million). Solid top line growth was primarily driven by continued positive sales trends in comparable restaurants ("like-for-like", "LFL") with 4.4% LFL growth in equity business, expansion of the network across all major brands and markets of AmRest's operations (264 restaurants opened in 2019) as well as from the consolidation of the businesses acquired in 2018 (Sushi Shop, 19 KFC France, Pizza Hut Russia and Bacoa). The revenues of the Group, adjusted by the impact of most recent M&As ("Core sales") amounted to EUR 1 747.8 million in 2019, representing a 16.4% growth year-on-year.

In Q4 2019 consolidated revenues of AmRest increased by 19.4% over the year and amounted to EUR 529.0 million driven by sustained strong LFL trends, organic roll-out and still, but to a lesser extent due to more comparable base versus last year, by most recent M&A.

The revenues in Central and Eastern Europe (CEE) amounted to EUR 839.3 million in 2019, growing by 17.0% compared to the previous year. In Q4 2019 segment's revenue increased by 18.7% year-on-year to EUR 232.0 million. All major business units in the region reported mid to high-single digit LFL sales in 2019 driven mainly by ongoing digitalization initiatives and strong operations and execution. At the same time, the Group opened 127 new restaurants in CEE.

Russia segment reported solid growth of sales in 2019. The revenues increased by 22.6% compared to 2018 and amounted to EUR 206.6 million. In Q4 2019 Russia reported revenue at EUR 55.7 million, representing a growth of 26.3% year-on-year. Increase was driven by positive LFL trends, accelerated organic growth (45 restaurants opened in 2019), positive FX as well as consolidation of Pizza Hut business acquired in Q2 2018.

The highest growth of revenues was reported by Western Europe, where sales increased in 2019 by 39.8% over the year to EUR 796.6 million, mostly driven by Sushi Shop acquisition and supportive LFL trends in franchised brands. In Q4 2019 top-line grew by 17.3% over the year to EUR 210.5 million. The Group opened 76 restaurants in 2019.

The revenues in Spain grew by 15.0% year-on-year in 2019, mainly on the back of solid equity store roll-out (28 openings in 2019), high-single digit LFL in QSR segment, a slight rebound in casual dining market especially visible in Q4 2019 as well as acquisitions. In Germany the revenues in 2019 grew by 3.9% over the year to EUR 176.9 million as a result of ongoing reorganization of the restaurant network. Significant increase of revenues in France of 94.0% over the year to EUR 298.7 million resulted mainly from the acquisition of Sushi Shop and KFC businesses in 2018.

In China, revenues in 2019 grew by 21.8% to EUR 89.6 million. The business sustained strong LFL sales performance and the company continued further expansion of Blue Frog brand with 16 new openings. In Q4 2019 sales increased by 16.8% over the year and reached EUR 22.0 million.

The segment Other comprised the sales of SCM Group realized from the non-related entities and the revenues of pizzaportal.pl. In 2019 top-line of this segment amounted to EUR 29.4 million, which was 69.9% higher than year ago, mainly due to a very strong increase in the scale of SCM. In Q4 2019 segment's revenue increased by 75.6% year-on-year despite deconsolidation of PizzaPortal sales starting from November 2019.

Profitability

AmRest profitability continued to grow at double-digit pace in 2019 on the back of positive sales trends, cost savings initiatives and effective operational excellence that each of the company's restaurant follows. In the reporting period the company benefited mainly from operational leverage indicated by relatively lower general restaurant occupancy costs (-0.8pp), lower share of royalty payments due to higher share of proprietary brands revenue (-0.3pp) and continued positive trends in food cost (-0.3pp), being a result of increased efficiency and scale in supply system, innovations in food processing and new product development as well as further cost and menu optimization with a constant control and focus on the food quality and safety. The savings in abovementioned areas allowed to offset relatively higher cost of labor (+1.4pp) driven by payroll pressure mainly across CEE and Western Europe as well as dilutive impact from recently acquired business also characterized by higher share of personnel costs.

As a result, the reported EBITDA (including IFRS 16) reached EUR 394.4 million or 20.1% margin in 2019. Excluding the effect from IFRS 16, EBITDA reached EUR 247.8 million and represented a growth of 43.2% year-on-year. At the same time EBITDA margin stood at 12.6% or 1.4pp higher vs. last year. In Q4 2019 Group's non-IFRS 16 EBITDA reached EUR 89.9 million, representing a substantial growth of 86.2% vs. last year. At the same time margin was 6.1pp higher than year ago and reached 17.0%. Apart from improved profitability of the Core, the last quarter was positively hit by EUR 36.9 million profit from the sale of PizzaPortal (net of transaction costs) which was partially offset by a change in provisions of EUR 8.0 million associated with master-franchise agreement resetting.

The non-IFRS 16 EBITDA of the core operations in 2019 (i.e. excluding M&As in 2018 and PizzaPortal deal) amounted to EUR 200.3 million while margin reached 11.5% and was 0.1pp higher vs. last year.

Reported operating profit (EBIT) of the Group amounted to EUR 105.6 million in 2019 or 5.4% margin. Adjusted for IFRS 16 EBIT reached EUR 100.0 million and was 39.8% higher than year ago. Non-IFRS 16 EBIT margin stood at 5.1% and was 0.5pp higher vs. last year, driven by the impact from abovementioned items, offset however by relatively higher value of impairments booked in Q4 2019, mainly in Pizza Hut France and KFC Germany. Reported EBIT in Q4 2019 reached EUR 32.6 million or 6.2% margin. Excluding IFRS 16, EBIT was at EUR 29.0 million with margin 1.3pp higher than last year.

The reported net profit attributable to AmRest shareholders amounted to EUR 65.1 million in 2019, while net margin amounted to 3.3%. In Q4 2019 reported net profit attributable to the parent reached EUR 38.0 million or 7.2% margin impacted mainly by revaluation of Glovo stake at EUR 31.7 million and impairments.

The reported EBITDA (with IFRS 16) generated in CEE in 2019 amounted to EUR 184.8 million or 22.0% margin. Excluding IFRS 16 impact, comparable EBITDA increased by 20.0% to EUR 125.5 million with margin up by 0.3pp to 14.9%. In Q4 2019 CEE achieved reported EBITDA at EUR 49.5 million or 21.4%. Without IFRS 16 segment EBITDA reached 34.1 million while margin was up by 0.9pp vs. last year to 14.7%. Profitability increase in 2019 was mainly driven by outstanding performance of Polish and Hungarian markets (24.2% and 28.2% increase in non-IFRS 16 EBITDA, respectively), where solid top line growth and maintained cost discipline resulted in further strengthening of EBITDA margins (by 1.1pp to 12.9% and by 0.7pp to 17.3%, respectively). At the same time, the results in Czechia were impacted by the increase in cost of labor and development of delivery and digital capabilities, which was offset to some extent by relatively higher margin on food. The non-IFRS 16 EBITDA in Czechia grew by 8.9% in 2019, while margin declined by 1.6pp to 19.2%. Other CEE slightly improved non-IFRS 16 EBITDA margin in 2019 vs. last year (by 0.1pp to 12.4%) despite very solid top-line growth. In Q4 2019 non-IFRS margin was impacted by strong restaurant rollout mainly at the end of the year, investments in development of Burger King brand in Romania as well as building country leadership team to ensure further growth. The company continued investing in digital channels by rolling-out kiosks in KFC and Burger King restaurants in CEE, expanding delivery reach as well as increasing online traffic and building loyalty programs.

(all figures in EUR millions unless stated otherwise)

Russian division reached reported EBITDA in 2019 at EUR 39.8 million or 19.2% margin. Excluding IFRS 16 EBITDA amounted to EUR 21.7 million with margin at 10.5%, lower by 2.4pp vs. last year. Reported EBITDA in Q4 2019 amounted EUR 8.8 million or 15.7%. Without IFRS 16 EBITDA reached EUR 3.8 million with margin at 6.8% vs. 11.4% last year. The gap in 2019 resulted mainly from by stronger marketing activities and promotions as well as partial bonus payouts to the crew in Q4 2019, investments in delivery as well as dilutive impact from Pizza Hut acquisition and one-off items that positively impacted 2018 results (EUR 1.0 million of bargain gain in Pizza Hut and VAT refund of EUR 0.6 million).

The IFRS 16 EBITDA of Western Europe division amounted to EUR 127.0 million in 2019 with margin at 15.9%. Excluding the effect from the new standard EBITDA reached EUR 70.9 million, representing a growth of 23.1% over the year and margin at 8.9% vs. 10.1% last year. In Q4 2019 reported EBITDA hit EUR 31.9 million or 15.2% margin. Without IFRS 16 EBITDA was at EUR 17.6 million while margin reached 8.4% vs. 11.7% last year.

Spanish market reported EUR 72.2 million IFRS 16 EBITDA in 2019 and margin at 25.7%. Without IFRS 16 EBITDA in the reporting period reached EUR 53.4 million while margin was at 19.0%, being 3.0pp lower than last year, mainly impacted by labor cost increase, general softness in casual dining segment and investments in delivery. In Germany the company continued integration and restructuring of the acquired businesses. The division reached break-even in 2019 based on non-IFRS 16 EBITDA figure with margin up by 1.0pp on the back of Starbucks improvement but offset by the losses incurred in KFC and Pizza Hut. Including IFRS 16 segment EBITDA reached EUR 22.0 million or 12.5% margin in the reporting period. French segment reported EBITDA in 2019 amounted EUR 27.7 million with margin at 9.3%. Excluding IFRS 16, EBITDA reached EUR 14.4 million and margin of 4.8%, being 0.9pp higher vs. last year. Profitability in France was mainly impacted by consolidation and ongoing integration processes in Sushi Shop, restructuring initiatives in Pizza Hut France and further development of digital and delivery channels.

China business visibly improved its profitability. Reported EBITDA in 2019 amounted EUR 24.1 million or 26.9% margin. Non-IFRS 16 EBITDA margin increased by 2.9pp to 12.6% in 2019 and resulted in non-IFRS 16 EBITDA at EUR 11.3 million (+58.4% year-on-year). In Q4 2019 reported EBITDA was EUR 5.5 million or 25.2%. Adjusted for IRFS 16 EBITDA reached EUR 2.2 million with margin at 10.2% which was 3.8pp higher than last year. Strong sales trends, operational efficiency along with established business model and cost discipline enabled to accelerate the growth of the market. On top of that the first Blue Frog franchise restaurant in China was opened in October 2019 and the year ended with four franchise units which shows supportive trend for further growth of brand awareness and profitability in the region.

Other segment posted record high profitability in 2019 and Q4 2019 mainly due to profit on sale of PizzaPortal to Glovo booked at EUR 36.9 million, net of transaction costs. SCM business continued building the scale and expanding its market reach which had a dilutive impact on margins.

Table 2 Revenues and margins generated in the particular markets for the years ended 31 December 2019 and 2018

	12 months ended 31 December 2019				12 months ended 31 December 2018	
	with IFRS16 impact		IFRS16 impact excluded			
	Amount	% of sales	Amount	% of sales	Amount	% of sales
Revenue	**1 961.5**		**1 961.5**		**1 546.9**	
Poland	464.8	23.7%	464.8	23.7%	409.4	26.5%
Czechia	199.8	10.2%	199.8	10.2%	169.6	11.0%
Hungary	110.5	5.6%	110.5	5.6%	89.7	5.8%
Other CEE	64.2	3.3%	64.2	3.3%	48.9	3.2%

(all figures in EUR millions unless stated otherwise)

	12 months ended 31 December 2019				12 months ended 31 December 2018	
	with IFRS16 impact		IFRS16 impact excluded			
	Amount	% of sales	Amount	% of sales	Amount	% of sales
Total CEE	**839.3**	**42.8%**	**839.3**	**42.8%**	**717.6**	**46.4%**
Russia	**206.6**	**10.5%**	**206.6**	**10.5%**	**168.6**	**10.9%**
Spain	281.1	14.3%	281.1	14.3%	244.3	15.8%
Germany	176.9	9.0%	176.9	9.0%	170.4	11.0%
France*	298.7	15.2%	298.7	15.2%	153.9	10.0%
Other Western Europe	39.9	2.0%	39.9	2.0%	1.2	0.1%
Western Europe	**796.6**	**40.6%**	**796.6**	**40.6%**	**569.8**	**36.8%**
China	**89.6**	**4.6%**	**89.6**	**4.6%**	**73.6**	**4.8%**
Other	**29.4**	**1.5%**	**29.4**	**1.5%**	**17.3**	**1.1%**
	Amount	Margin	Amount	Margin	Amount	Margin
EBITDA	**394.4**	**20.1%**	**247.8**	**12.6%**	**173.2**	**11.2%**
Poland	93.0	20.0%	60.0	12.9%	48.3	11.8%
Czechia	51.9	26.0%	38.4	19.2%	35.3	20.8%
Hungary	25.8	23.3%	19.1	17.3%	14.9	16.6%
Other CEE	14.1	22.1%	8.0	12.4%	6.0	12.3%
Total CEE	**184.8**	**22.0%**	**125.5**	**14.9%**	**104.5**	**14.6%**
Russia	**39.8**	**19.2%**	**21.7**	**10.5%**	**21.7**	**12.9%**
Spain	72.2	25.7%	53.4	19.0%	53.7	22.0%
Germany	22.0	12.5%	0.1	0.0%	(1.7)	(1.0%)
France*	27.7	9.3%	14.4	4.8%	6.0	3.9%
Other Western Europe	5.1	12.7%	3.0	7.7%	(0.4)	(32.9%)
Western Europe	**127.0**	**15.9%**	**70.9**	**8.9%**	**57.6**	**10.1%**
China	**24.1**	**26.9%**	**11.3**	**12.6%**	**7.1**	**9.7%**
Other	**18.7**	**-**	**18.4**	**-**	**(17.7)**	**-**
Adjusted EBITDA	**369.2**	**18.8%**	**223.9**	**11.4%**	**187.8**	**12.1%**
Poland	95.1	20.5%	62.6	13.5%	48.9	11.9%
Czechia	53.4	26.7%	40.1	20.1%	37.0	21.9%
Hungary	27.3	24.7%	20.6	18.6%	16.4	18.3%
Other CEE	15.4	24.1%	9.3	14.7%	7.3	14.7%
Total CEE	**191.2**	**22.8%**	**132.6**	**15.8%**	**109.6**	**15.3%**
Russia	**40.8**	**19.7%**	**22.9**	**11.1%**	**22.7**	**13.4%**
Spain	74.0	26.3%	55.3	19.7%	55.5	22.7%
Germany	23.0	13.0%	1.1	0.6%	(0.1)	(0.1%)
France*	28.0	9.4%	14.9	5.0%	9.5	6.1%
Other Western Europe	5.1	12.9%	3.1	7.9%	(0.3)	(26.5%)
Western Europe	**130.1**	**16.3%**	**74.4**	**9.3%**	**64.6**	**11.3%**
China	**24.8**	**27.7%**	**12.0**	**13.3%**	**8.1**	**11.0%**
Other	**(17.7)**	**-**	**(18.0)**	**-**	**(17.2)**	**-**
EBIT	**105.6**	**5.4%**	**100.0**	**5.1%**	**71.6**	**4.6%**
Poland	33.3	7.2%	30.2	6.5%	19.6	4.8%
Czechia	29.0	14.5%	27.5	13.8%	26.0	15.3%
Hungary	12.1	10.9%	11.4	10.4%	8.9	10.0%
Other CEE	1.7	2.7%	1.2	1.8%	0.6	1.6%
Total CEE	**76.1**	**9.1%**	**70.3**	**8.4%**	**55.1**	**7.7%**
Russia	**5.8**	**2.8%**	**6.1**	**2.9%**	**10.4**	**6.2%**
Spain	33.4	11.9%	33.7	12.0%	38.1	15.6%
Germany	(17.1)	(9.6%)	(16.4)	(9.3%)	(11.2)	(6.6%)
France*	(17.6)	(5.9%)	(18.6)	(6.2%)	(3.6)	(2.3%)
Other Western Europe	1.3	3.0%	1.1	3.0%	(0.5)	(41.9%)
Western Europe	**0.0**	**0.0%**	**(0.2)**	**(0.0%)**	**22.8**	**4.0%**
China	**6.1**	**6.8%**	**6.2**	**6.9%**	**1.7**	**2.4%**
Other	**17.6**	**-**	**17.6**	**-**	**(18.4)**	**-**

* *"France" includes results of Sushi Shop business in all markets of its operations for 2018 data*

(all figures in EUR millions unless stated otherwise)

Table 3 **Revenues and margins generated in the particular markets for 3 months ended 31 December 2019 and 2018**

	3 months ended 31 December 2019				3 months ended 31 December 2018 (restated**)	
	with IFRS16 impact		IFRS16 impact excluded			
	Amount	% of sales	Amount	% of sales	Amount	% of sales
Revenue	**529.0**		**529.0**		**442.9**	
Poland	127.0	24.0%	127.0	24.0%	108.6	24.5%
Czechia	55.9	10.6%	55.9	10.6%	48.0	10.8%
Hungary	30.4	5.7%	30.4	5.7%	24.9	5.6%
Other CEE	18.7	3.5%	18.7	3.5%	13.9	3.1%
Total CEE	**232.0**	**43.8%**	**232.0**	**43.8%**	**195.4**	**44.1%**
Russia	**55.7**	**10.5%**	**55.7**	**10.5%**	**44.1**	**10.0%**
Spain	76.3	14.4%	76.3	14.4%	67.9	15.3%
Germany	46.4	8.8%	46.4	8.8%	44.7	10.1%
France*	77.8	14.7%	77.8	14.7%	66.4	15.0%
Other Western Europe	10.0	1.9%	10.0	1.9%	0.5	0.1%
Western Europe	**210.5**	**39.8%**	**210.5**	**39.8%**	**179.5**	**40.5%**
China	**22.0**	**4.2%**	**22.0**	**4.2%**	**18.8**	**4.3%**
Other	**8.8**	**1.7%**	**8.8**	**1.7%**	**5.1**	**1.1%**
	Amount	Margin	Amount	Margin	Amount	Margin
EBITDA	**128.0**	**24.2%**	**89.9**	**17.0%**	**48.3**	**10.9%**
Poland	25.2	19.8%	16.7	13.1%	11.2	10.3%
Czechia	13.8	24.7%	10.2	18.4%	10.0	20.8%
Hungary	7.1	23.3%	5.4	17.7%	3.6	14.5%
Other CEE	3.4	18.6%	1.8	9.4%	2.1	15.0%
Total CEE	**49.5**	**21.4%**	**34.1**	**14.7%**	**26.9**	**13.8%**
Russia	**8.8**	**15.7%**	**3.8**	**6.8%**	**5.0**	**11.4%**
Spain	19.8	25.9%	14.8	19.5%	16.0	23.5%
Germany	7.0	15.1%	1.5	3.2%	0.1	0.1%
France*	5.3	6.9%	2.1	2.6%	4.8	7.4%
Other Western Europe	(0.2)	(2.4%)	(0.8)	(7.8%)	(0.0)	(5.5%)
Western Europe	**31.9**	**15.2%**	**17.6**	**8.4%**	**20.9**	**11.7%**
China	**5.5**	**25.2%**	**2.2**	**10.2%**	**1.2**	**6.4%**
Other	**32.3**	**-**	**32.2**	**-**	**-5.7**	**-**
Adjusted EBITDA	**96.4**	**18.2%**	**58.7**	**11.1%**	**55.4**	**12.5%**
Poland	26.2	20.6%	17.9	14.0%	12.5	11.5%
Czechia	14.5	26.1%	11.1	19.7%	11.1	23.0%
Hungary	7.8	25.7%	6.1	20.2%	4.4	17.7%
Other CEE	4.1	22.0%	2.3	13.3%	2.6	19.3%
Total CEE	**52.6**	**22.7%**	**37.4**	**16.2%**	**30.6**	**15.7%**
Russia	**9.3**	**16.6%**	**4.4**	**7.8%**	**5.0**	**11.4%**
Spain	20.5	26.9%	15.7	20.5%	16.8	24.7%
Germany	7.3	15.6%	1.7	3.8%	0.7	1.5%
France*	5.4	6.9%	2.1	2.7%	6.6	9.9%
Other Western Europe	(0.2)	(1.7%)	(0.7)	(7.1%)	0.0	4.9%
Western Europe	**33.0**	**15.7%**	**18.8**	**8.9%**	**24.1**	**13.4%**
China	**5.7**	**25.9%**	**2.4**	**10.9%**	**1.5**	**8.2%**
Other	**(4.2)**	**-**	**(4.3)**	**-**	**(5.8)**	**-**
EBIT	**32.6**	**6.2%**	**29.0**	**5.5%**	**18.6**	**4.2%**
Poland	10.2	8.0%	8.1	6.4%	2.9	2.7%
Czechia	7.7	13.8%	7.4	13.3%	7.8	16.3%
Hungary	3.4	11.0%	3.2	10.6%	1.8	7.1%
Other CEE	0.2	1.0%	0.0	-0.6%	0.5	3.1%
Total CEE	**21.5**	**9.2%**	**18.7**	**8.1%**	**13.0**	**6.6%**
Russia	**(1.2)**	**(2.3%)**	**(1.3)**	**(2.5%)**	**1.8**	**4.1%**
Spain	6.4	8.4%	7.8	10.2%	12.5	18.4%
Germany	(6.7)	(14.4%)	(6.9)	(14.9%)	(2.8)	(6.2%)

(all figures in EUR millions unless stated otherwise)

	3 months ended 31 December 2019				3 months ended 31 December 2018 (restated**)	
	with IFRS16 impact		IFRS16 impact excluded			
	Amount	% of sales	Amount	% of sales	Amount	% of sales
France*	(20.1)	(25.7%)	(21.4)	(27.5%)	0.9	1.2%
Other Western Europe	(1.2)	(13.4%)	(1.4)	(13.1%)	(0.1)	(12.2%)
Western Europe	**(21.6)**	**(10.3%)**	**(21.9)**	**(10.4%)**	**10.5**	**5.8%**
China	**1.9**	**8.8%**	**1.4**	**6.2%**	**(0.7)**	**(4.0%)**
Other	**32.0**	**-**	**32.1**	**-**	**(6.0)**	**-**

** "France" includes results of Sushi Shop business in all markets of its operations for 2018 data*

*** The restatement concerns bargain gain on Pizza Hut Russia acquisition of EUR 1.0 million and was described in the note 9 to the Consolidated Semi-Annual Financial Statements for 2019.*

Table 4 Reconciliation of the net profit and adjusted EBITDA for years ended 31 December 2019 and 2018

	12 months ended 31 December 2019				12 months ended 31 December 2018		FY2019/FY2018	
	with IFRS16 impact		IFRS16 impact excluded				with IFRS 16 impact	IFRS16 impact excluded
	Amount	% of sales	Amount	% of sales	Amount	% of sales	% of change	% of change
Profit/(loss) for the period	**66.9**	**3.4%**	**82.6**	**4.2%**	**41.3**	**2.7%**	**62.0%**	**100.0%**
+ Finance costs	46.0	2.3%	20.6	1.1%	16.8	1.1%	173.8%	22.6%
– Finance income	33.8	1.7%	33.8	1.7%	2.7	0.2%	1151.9%	1151.9%
+ Income tax expense	26.5	1.4%	30.6	1.6%	16.2	1.0%	63.6%	88.9%
+ Depreciation and Amortisation	249.3	12.7%	114.3	5.8%	92.1	6.0%	170.7%	24.1%
+ Impairment losses	39.5	2.0%	33.5	1.7%	9.5	0.6%	315.8%	252.6%
EBITDA	**394.4**	**20.1%**	**247.8**	**12.6%**	**173.2**	**11.2%**	**127.7%**	**43.1%**
+ Start-up expenses*	11.2	0.6%	12.5	0.6%	13.2	0.9%	(15.2%)	(5.3%)
+ M&A related expenses	(36.7)	(1.9%)	(36.7)	(1.9%)	3.1	0.2%	na	na
+/– Effect of SOP exercise method modification	0.3	0.0%	0.3	0.0%	0.8	0.1%	(62.5%)	(62.5%)
– Indirect taxes adjustments	0.0	0.0	0.0	0.0	2.5	0.2%	na	na
Adjusted EBITDA	**369.2**	**18.8%**	**223.9**	**11.4%**	**187.8**	**12.1%**	**96.6%**	**19.2%**

** operating costs incurred by the company to open a restaurant but before a restaurant starts generating revenue*

Table 5 Reconciliation of the net profit and adjusted EBITDA for 3 months ended 31 December 2019 and 2018

	3 months ended 31 December 2019				3 months ended 31 December 2018 (**restated)		FY2019/FY2018	
	with IFRS16 impact		IFRS16 impact excluded				with IFRS 16 impact	IFRS16 impact excluded
	Amount	% of sales	Amount	% of sales	Amount	% of sales	% of change	% of change
Profit/(loss) for the period	**38.7**	**7.3%**	**39.2**	**7.4%**	**10.1**	**2.3%**	282.2%	288.1%
+ Finance costs	10.5	2.0%	6.6	1.2%	5.4	**1.2%**	94.4%	22.2%
– Finance income	33.4	6.3%	33.4	6.3%	2.0	**0.5%**	1570.0%	1570.0%
+ Income tax expense	16.8	3.2%	16.6	3.1%	5.1	**1.2%**	231.4%	225.5%

(all figures in EUR millions unless stated otherwise)

	3 months ended 31 December 2019				3 months ended 31 December 2018 (**restated)		FY2019/FY2018	
	with IFRS16 impact		IFRS16 impact excluded				with IFRS 16 impact	IFRS16 impact excluded
+ Depreciation and Amortisation	65.0	12.3%	31.2	5.9%	26.1	**5.9%**	149.0%	19.5%
+ Impairment losses	30.4	5.7%	29.7	5.6%	3.6	**0.8%**	744.4%	725.0%
EBITDA	**128.0**	**24.2%**	**89.9**	**17.0%**	**48.3**	**10.9%**	165.0%	86.1%
+ Start-up expenses*	5.0	0.9%	5.4	1.0%	6.2	**1.4%**	(19.4%)	(12.9%)
+ M&A related expenses	(36.8)	(7.0%)	(36.8)	(7.0%)	1.7	**0.4%**	na	na
+/– Effect of SOP exercise method modification	0.2	0.0%	0.2	0.0%	(0.2)	**0.0%**	na	na
– Indirect taxes adjustments	0.0	0.0	0.0	0.0	0.6	**0.1%**	na	na
Adjusted EBITDA	96.4	**18.2%**	58.7	**11.1%**	55.4	**12.5%**	74.0%	6.0%

** operating costs incurred by the company to open a restaurant but before a restaurant starts generating revenue*
*** The restatement concerns bargain gain on Pizza Hut Russia acquisition of EUR 1.0 million and was described in the note 9 to the Consolidated Semi-Annual Financial Statements for 2019.*

Table 6 Liquidity analysis

	31 December 2019	31 December 2018
Current assets	264.8	241.8
Inventory	29.9	25.7
Current liabilities	498.9	259.9
Quick ratio	0.47	0.83
Current ratio	0.53	0.93
Cash and cash equivalents	106.2	118.4
Cash ratio	0.21	0.46
Inventory turnover (in days)	5.03	5.26
Trade and other receivables	104.6	55.5
Trade receivables turnover (in days)	15.27	9.57
Operating ratio (cycle) (in days)	20.30	14.83
Trade and other accounts payable	279.5	243.0
Trade payables turnover (in days)	45.87	46.23
Cash conversion ratio (in days)	-25.57	-31.40

Definitions:

- *Quick ratio – current assets net of inventories to current liabilities*
- *Current ratio – current assets to current liabilities*
- *Cash ratio – cash and cash equivalents to current liabilities*
- *Inventory turnover ratio – average inventories to revenue multiplied by the number of days in the period*
- *Trade receivables turnover ratio – average trade and other receivables to revenue multiplied by the number of days in the period*
- *Operating ratio (cycle) – total of inventories turnover and receivables turnover*
- *Trade payables turnover ratio – average trade and other accounts payable to revenue multiplied by the number of days in the period*
- *Cash conversion ratio – difference between the operating ratio and the trade payables turnover ratio*

(all figures in EUR millions unless stated otherwise)

Table 7 Balance sheet leverage analysis

	31 December 2019	31 December 2018
Non-current assets	2 170.2	1 200.0
Liabilities	1 958.3	1 011.2
Non-current liabilities	1 459.4	751.3
Debt	1 584.2	664.2
Share of inventories in current assets (%)	0.11	0.11
Share of trade receivables in current assets (%)	0.40	0.23
Share of cash and cash equivalents in current assets (%)	0.40	0.49
Equity to non-current assets ratio	0.22	0.36
Gearing ratio	0.23	0.39
Long-term liabilities to equity ratio	3.06	1.74
Liabilities to equity ratio	4.11	2.35
Debt/equity	3.32	1.54
Net debt/EBITDA	2.49	3.15

Definitions:

- *Share of inventories, trade and other receivables, cash and cash equivalents in current assets – ratio of, respectively, inventories, trade receivables and cash and cash equivalents to current assets;*
- *Equity to non-current assets ratio – equity to non-current assets;*
- *Gearing – liabilities and provisions to total assets;*
- *Non-current liabilities to equity – non-current liabilities to equity;*
- *Liabilities to equity – liabilities and provisions to equity;*
- *Debt/equity – total non-current and current interest bearing loans and borrowings.*
- *Net debt/EBITDA – total interest bearing liabilities less cash and cash equivalents to last twelve month EBITDA, both excluding IFRS 16 impact*

Debt ratios

The debt and liquidity ratios of the Group were at levels ensuring smooth operating activities and reflected the specifics of the restaurant industry.

The Group's equity increased by EUR 46.1 million compared to the balance at the end of 2018 and amounted to EUR 476.7 million at the end of 2019. The change in equity resulted mainly from the increase in retained earnings (EUR +65.1 million in 2019) partially offset by a decrease in reserves (EUR -27.8 million) Net debt as of 31 December 2019 was at EUR 616.4 million and leverage ratio amounted to 2.89, as a net effect of growing profitability, increased debt financing needed for accelerated organic growth and settlement of most recent M&A activities.

Alternative Performance Measures (APM) description

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

1. Like-for-like or Same Store Sales ("LFL" or "SSS") – represents revenue growth from comparable restaurants (restaurants that have been operating for a period of longer than 12 months). The measure shows the ability of a restaurant or a brand to increase its sales organically. It can be closest reconciled between last twelve months core revenue growth minus last twelve months net equity openings growth.

(all figures in EUR millions unless stated otherwise)

Table 8 Reconciliation of LFL

	31 December 2019
Core revenue growth	16.4%
(–) LTM net equity openings growth	11.8%
Approx. LFL	4.6%

2. Core sales or Core revenue – presents total sales of the Group without the impact from acquisitions or sale of a business that occurred in a reporting period as well as in a year before the reporting period. It consists of the Group's total sales adjusted for revenue generated by the acquired businesses from the date of consolidation. Its purpose is to present comparable base for total revenue vs. previous year and show organic growth of the company (through net store openings and same store sales increases).

Table 9 Reconciliation of Core revenue

	31 December 2019
Total revenue	1 961.5
(–) Sales generated by acquired businesses	213.7
Core revenue	1 747.8

3. EBITDA – One of Key Performance Indicators for the company. It is a close measure of cash profitability on operations and consist of profit from operations excluding amortization and depreciation costs as well as impairments. Reconciliation of the measure is provided in tables 4 or 5. Also, the company in its periodic financial reports for 2019 presented breakdown of EBITDA and Adjusted EBITDA metrics with and without IFRS 16 impact (by simplified approach which allows to apply it progressively) in order to ensure comparability with historical data.

4. Core EBITDA and Core EBITDA margin – presents EBITDA metric of the Group without the impact from IFRS 16 and acquisitions or sale of business that occurred in a reporting period year as well as in a year before the reporting period. It consists of the Group's EBITDA adjusted for EBITDA generated by the acquired businesses from the date of consolidation. Its purpose is to show comparable profitability vs. previous year figure and show margins more related to organic growth. Core EBITDA margin is a profitability ratio of Core EBITDA in relations to Core sales or Core revenue.

Table 10 Reconciliation of Core EBITDA

	31 December 2019
Group's consolidated non-IFRS 16 EBITDA	247.8
(–) Non-IFRS 16 EBITDA generated by acquired businesses and net results from the sale transaction	47.5
Core EBITDA	**200.3**

Adjusted EBITDA – Measures profitability performance without startup costs (operating costs incurred by the company to open a restaurant but before a restaurant starts generating revenue), indirect tax adjustments, M&A related expenses (all material expenses connected with successful acquisition covering professional services, legal, financial, other directly connected with a transaction and effect of Stock Option Plan (SOP) exercise method modification (difference in accounting cost of employee benefits accounted under cash settled versus equity settled option plan). It allows to present profitability for restaurants that already generate revenue and without some unusual costs related to M&A, tax adjustments or accounting adjustments related to SOP. Reconciliation of this APM is provided in tables 4 or 5.

BRANDS OPERATED BY THE GROUP

As at the date of publication of the Report, the portfolio of AmRest consisted of twelve brands: KFC, Pizza Hut, Starbucks, Burger King, La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop, Pokaï, Lepieje and 'oi poke.

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

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

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

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

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

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

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

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

Lepieje and 'oi poke are virtual brands invented by AmRest in 2019.

Quick Service Restaurants (QSR)

Established in 1952, the KFC brand is the biggest, fastest growing and most popular chain of quick service restaurants serving chicken meals. There are currently more than 23 000 KFC restaurants in over 135 countries worldwide.

As at 31 December 2019 the Group operated 868 KFC restaurants: 282 in Poland, 105 in the Czech Republic, 70 in Hungary, 202 in Russia, 83 in Spain, 27 in Germany, 70 in France, 10 in Serbia, 8 in Bulgaria, 8 in Croatia, 2 in Austria and 1 in Slovenia.

The beginnings of Burger King date back to 1954. Today, Burger King ("Home of the Whopper") operates about 15 500 restaurants, serving about 11 million customers in 100 countries every day. Almost 100% of Burger King restaurants are run by independent franchisees and many of them have been managed for decades as family businesses. Burger King brand is owned by 3G Capital.

As at 31 December 2019 AmRest ran the total of 72 Burger King restaurants – 45 in Poland, 20 in the Czech Republic, 2 in Bulgaria, 3 in Slovakia and 2 in Romania.

Casual Dining and Fast Casual Restaurants (CDR, FCR)

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

As at 31 December 2019 AmRest operated 248 La Tagliatella restaurants — 238 in Spain, 6 in France, 2 in Germany and 2 in Portugal.

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

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

As at 31 December 2019 AmRest ran 483 Pizza Hut restaurants – 157 in Poland, 69 in Russia, 26 in Hungary, 17 in Czech Republic, 121 in France, 85 in Germany, 2 in Armenia, 2 in Azerbaijan and 3 in Slovakia.

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

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

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

As at 31 December 2019 AmRest operated 79 Blue Frog (72 in China and 7 in Spain) and 2 KABB restaurants.

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

As 31 December 2019, AmRest operated 10 Bacoa restaurants in Spain.

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

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

As 31 December 2019, AmRest operated 179 Sushi Shop restaurants (125 in France, 6 in Spain, 3 in Germany, 3 in Portugal, 11 in Belgium, 3 in Italy, 2 in Luxemburg, 5 in UK, 7 in Switzerland, 3 in Saudi Arabia, 10 in UAE and 1 in Netherlands).

Coffee category

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

As at 31 December 2019 AmRest operated 376 stores (73 in Poland, 49 in the Czech Republic, 34 in Hungary, 52 in Romania, 14 in Bulgaria, 145 (plus 20 licensed stores) in Germany, 7 in Slovakia and 2 in Serbia).

Virtual Brands

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

Lepieje is a virtual brand created for delivery only in response to the Shadow Kitchen project of AmRest and to the global restaurant market trends. The brand operates since 2 December 2019 in Wroclaw and it is accessible via aggregators (as at February 2020 on Glovo and Pizza Portal). The brand is inspired by the dumplings from the different parts of the world.

'Oi Poke is a virtual brand offering exotic bowl compositions based on meat, fish or shrimps with fresh and original additions. The cuisine comes from Hawaii, where everything "perfect" is called "'Oi". The brand contributes to the Shadow Kitchen project of AmRest. It operates via aggregators Pizza Portal and Glovo from 18 December 2019 (SK Wroclaw Perla).

(all figures in EUR millions unless stated otherwise)

KEY INVESTMENTS

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

In 2019 AmRest's capital expenditure was financed from cash flows from operating activities and debt financing.

The table below presents purchases of property, plant and equipment, intangible assets as well as value of acquired goodwill in 12 months ended 31 December 2019 and 31 December 2018.

Purchases of property, plant and equipment, intangible assets as well as value of acquired goodwill in AmRest

	year ended	
	31 December 2019	**31 December 2018**
Intangible assets:	**13.6**	**126.3**
Licenses for use of Pizza Hut, KFC, Burger King, Starbucks trademarks	7.8	5.7
Other intangible assets	5.8	120.6
Goodwill	**2.8**	**147.1**
Property, plant and equipment:	**188.2**	**205.3**
Land	0.3	4.6
Buildings and expenditure on development of restaurants	70.2	94.7
Machinery & equipment	73.8	82.9
Vehicles	0.8	1.1
Other tangible assets (including assets under construction)	43.1	22.0
Total	**204.6**	**478.7**

AmRest's New Restaurants

	AmRest equity restaurants	**AmRest franchisee restaurants**	**Total**
31.12.2018	1 664	474	2 138
New Openings	224	40	264
Acquisitions	0	0	0
Closings	27	36	63
31.12.2019	**1 861**	**478**	**2 339**

As at 31 December 2019, AmRest operated 2 339 restaurants, including 478 restaurants which are managed by franchisees (164 La Tagliatella, 218 Pizza Hut, 20 Starbucks, 6 Blue Frog, 5 Bacoa and 65 Sushi Shop). Compared with 31 December 2018, the Group runs 201 more restaurants. 264 new restaurants were opened: 127 restaurants in Central and Eastern Europe, 45 in Russia, 76 in Western Europe and 16 in China.

(all figures in EUR millions unless stated otherwise)

Number of AmRest restaurants (as at 31 December 2019)

Countries	Brands	31.12.2018	31.03.2019	30.06.2019	30.09.2019	31.12.2019
Poland	**Total**	**515**	**516**	**523**	**530**	**559**
	KFC	264	264	267	273	282
	BK	40	41	42	42	45
	SBX	70	71	71	71	73
	PH	140	139	142	144	157
	BF	1	1	1	-	-
	Lepieje (virtual brand)	-	-	-	-	1
	Oi Poke (virtual brand)	-	-	-	-	1
Czech Republic	**Total**	**162**	**164**	**168**	**177**	**191**
	KFC	97	97	97	100	105
	BK	17	17	17	19	20
	SBX	41	42	45	46	49
	PH	7	8	9	12	17
Hungary	**Total**	**104**	**106**	**107**	**112**	**130**
	KFC	58	60	61	63	70
	SBX	27	27	27	29	34
	PH	19	19	19	20	26
Russia	**Total**	**242**	**242**	**251**	**251**	**271**
	KFC	178	179	184	188	202
	PH equity	39	39	37	38	39
	PH franchised	25	24	30	25	30
Bulgaria	**Total**	**19**	**22**	**23**	**23**	**24**
	KFC	5	7	8	8	8
	BK	1	1	1	1	2
	SBX	13	14	14	14	14
Serbia	**Total**	**8**	**9**	**11**	**11**	**12**
	KFC	8	9	10	10	10
	SBX	-	-	1	1	2
Croatia	**KFC**	**8**	**8**	**8**	**8**	**8**
Romania	**Total**	**46**	**46**	**46**	**47**	**54**
	SBX	46	46	46	46	52
	BK	-	-	-	1	2
Slovakia	**Total**	**9**	**9**	**10**	**12**	**13**
	SBX	5	5	5	6	7
	PH	2	2	2	3	3
	BK	2	2	3	3	3
Armenia	**PH franchised**	**2**	**2**	**2**	**2**	**3**
Azerbaijan	**PH franchised**	**2**	**2**	**2**	**2**	**2**
Spain	**Total**	**326**	**325**	**333**	**335**	**344**
	TAG equity	73	73	73	74	75
	TAG franchised	164	163	164	164	163
	KFC	67	66	71	74	83
	Blue Frog equity	4	4	5	5	5
	Blue Frog franchised	2	2	2	2	2
	Bacoa equity	3	4	4	4	5
	Bacoa franchised	4	4	5	5	5
	Sushi Shop equity	2	2	2	2	4
	Sushi Shop franchised	7	7	7	5	2

(all figures in EUR millions unless stated otherwise)

Countries	Brands	31.12.2018	31.03.2019	30.06.2019	30.09.2019	31.12.2019
France	**Total**	**320**	**320**	**322**	**320**	**322**
	TAG equity	5	5	5	5	5
	TAG franchised	3	3	1	1	1
	KFC	10	10	12	12	13
	PH equity	117	117	117	112	108
	PH franchised	65	66	67	69	70
	Sushi Shop equity	86	86	87	89	89
	Sushi Shop franchised	34	33	33	32	36
Germany	**Total**	**269**	**271**	**277**	**277**	**282**
	SBX	139	140	143	142	145
	SBX licensed	17	17	18	19	20
	TAG equity	2	2	2	2	2
	KFC	27	27	27	27	27
	PH equity	7	8	8	9	10
	PH franchised	74	74	76	75	75
	Sushi Shop franchised	3	3	3	3	3
Austria	**KFC**	**1**	**1**	**2**	**2**	**2**
Slovenia	**KFC**	**1**	**1**	**1**	**1**	**1**
Portugal	**Total**	**5**	**5**	**5**	**5**	**5**
	TAG equity	2	2	2	2	2
	Sushi Shop franchised	3	3	3	3	3
China	**Total**	**63**	**62**	**64**	**71**	**74**
	Blue Frog equity	60	59	61	67	68
	Blue Frog franchised	-	-	-	1	4
	KABB	3	3	3	3	2
Belgium	**Total**	**8**	**9**	**10**	**11**	**11**
	Sushi Shop equity	5	5	5	5	5
	Sushi Shop franchised	3	4	5	6	6
Italy	**Total**	**3**	**3**	**3**	**3**	**3**
	Sushi Shop equity	1	1	1	1	1
	Sushi Shop franchised	2	2	2	2	2
Switzerland	Sushi Shop equity	**6**	**6**	**6**	**6**	**7**
Luxembourg	Sushi Shop equity	**2**	**2**	**2**	**2**	**2**
Netherlands	Sushi Shop equity	**-**	**-**	**1**	**1**	**1**
UK	Sushi Shop equity	**5**	**5**	**5**	**5**	**5**
UAE	Sushi Shop franchised	**8**	**8**	**9**	**10**	**10**
Saudi Arabia	Sushi Shop franchised	**3**	**3**	**3**	**3**	**3**
Iran	Sushi Shop franchised	**1**	**1**	**1**	**-**	**-**
Total AmRest		**2 138**	**2 148**	**2 195**	**2 227**	**2 339**

PLANNED INVESTMENT ACTIVITIES

AmRest's strategy is to leverage its unique culture, international capability, operational excellence attitude and superior brand portfolio to grow scalable and highly profitable restaurants globally.

Similar to previous periods, AmRest intends to further strengthen its leadership position in European restaurant markets. Currently, the Company is focused on integrating most recent acquisitions and reorganization of restaurant network as well as building franchise excellence and strategy to further fuel growth across proprietary brands. The potential for growth in the existing markets of AmRest's operations allows for accelerated organic expansion through increased number of new openings. Development of lighter store formats increases availability of new locations across Europe as well as pool of potential franchisees.

Potential acquisitions still remain an important factor of AmRest's growth. On the back of recently finalized M&A transactions, AmRest has set its footprint on 8 new markets with a lot of white space to cover and opportunities to explore. As a partner of choice and leading European restaurant operator AmRest is well-positioned for any sector consolidation or buyouts.

In the light of growing popularity of take-away and delivery segments, AmRest will continue investing in digital channels as well as developing delivery capabilities and cooperation across all markets, including intensified testing of a shadow kitchen concept (delivery-only formats). Initial investment in Glovo along with recent sale transaction of PizzaPortal enables to fuel further growth of Glovo's scale and at the same time reinforce AmRest core operations while still being up-to-date with trends in a fast-changing environment of food delivery.

Similar to previous years, improvement of ROIC, increasing scalability and market presence as well as building the long-term growth platform of top-tier brands will define the main criteria of shaping the structure of new launches and acquisitions. AmRest's investment program will be financed both from the own sources and through debt financing.

SIGNIFICANT EVENTS AND TRANSACTIONS IN 2019

Termination of Share Purchase Agreement – TELE PIZZA, S.A.U.

On July 26, 2018 AmRest Sp. z o.o. („AmRest Poland") and TELE PIZZA, S.A.U. ("Seller") signed a Share Purchase Agreement ("SPA"), pursuant to which AmRest Poland would acquire 100% shares of TELEPIZZA POLAND Sp. z o.o. ("Telepizza Poland") at an estimated price of ca. EUR 8 million.

The completion of the transaction was contingent upon a number of conditions, including obtaining antitrust approvals, conclusion of a license agreement with the Seller authorizing Telepizza Polska to continue operation of its business and lack of the material adverse change events ("MAC").

On March 7th, 2019 AmRest informed that the SPA was automatically terminated due to failure to meet the conditions precedent specified in the SPA before the Long Stop Date (i.e. failure to obtain the consent for the concentration from the Office of Competition and Customer Protection before the Long Stop Date).

Share sale agreement between Gosha Holdings, S.à.r.l. and FCapital Dutch, B.V.

On March 27, 2019 AmRest was notified by its controlling shareholder, FCapital Dutch, B.V. (Grupo Finaccess subsidiary; "FCapital", the "Purchaser"), and one of its significant shareholders, Gosha Holdings, S.à.r.l. ("Gosha", the "Seller"), that FCapital and Gosha have executed a share sale agreement pursuant to which the Purchaser would acquire from the Seller its entire shareholding in AmRest (the "Transaction"). The Transaction was expected to be settled on 10 May 2019.

On May 9, 2019 FCapital has completed the purchase of the entire shareholding in AmRest of Gosha, consisting of 23 426 313 shares representing 10.67% of the Company's share capital, for a price per share of EUR 13.22, amounting an aggregate of EUR 309 695 857.86. After this purchase, Grupo Finaccess controls 67.05% of AmRest.

As a consequence, the proprietary directors of Gosha Holdings, S.à.r.l. at AmRest's Board, Mr. Henry McGovern and Mr. Steven Kent Winegar, resigned from their positions effective May 14, 2019. On the same date, Ms. Romana Sadurska and Mr. Emilio Fullaondo Botella were co-opted by the Board as independent directors.

(all figures in EUR millions unless stated otherwise)

Agreement with Glovoapp23 S.L.

On 13 August 2019 the Group signed the agreement with Glovoapp23, S.L. (the "Agreement") for the transfer from AmRest to Glovo of 100% shares in Restaurant Partner Polska Sp. z o.o. ("PizzaPortal"). At 30 September 2019, Restaurant Partner Polska Sp. z o.o. was classified as a disposal group held for sale. On 28 October, due to satisfaction of conditions precedent, AmRest transferred 100% of shares in PizzaPortal to Glovo. The price consideration (EUR 35 million, including earn-out as the requirements have been met) is secured by the registered pledge on Pizza Portal shares.

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

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

EXTERNAL DEBT

In the reporting period covered by this report the Company did not enter in any significant agreements concerning external debt nor issue any debt instruments.

SHAREHOLDERS OF AMREST HOLDINGS SE

To the best of AmRest's knowledge as at 31 December 2019 AmRest Holdings had the following shareholder structure:

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

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

CHANGES IN THE PARENT COMPANY'S GOVERNING BODIES

According to the share sale agreement between Gosha Holdings, S.à.r.l. and FCapital Dutch, B.V. described in "Significant events and transactions in 2019" section of this report, the proprietary directors of Gosha Holdings, S.à.r.l. at AmRest's Board, Mr. Henry McGovern and Mr. Steven Kent Winegar, resigned from their positions effective May 14, 2019. On the same date, Ms. Romana Sadurska and Mr. Emilio Fullaondo Botella were co-opted by the Board as independent directors.

Consequently, the composition of the Board of Directors was adapted; being formed by 4 independent members after the appointments of Ms. Romana Sadurska and Mr. Emilio Fullaondo Botella, and 3 proprietary directors representing Finaccess.

As per article 529 point 2.b) of the Spanish Capital Companies Act, both appointments shall be submitted for ratification to the next General Shareholders Meeting.

In addition, on this date, following the recommendation of the Compensations and Remuneration Committee, the Board has also resolved to appoint Mr. Mark Chandler as CEO of AmRest, and Mr. Eduardo Zamarripa as new Chief Financial Officer of AmRest.

As at 31 December 2019 the composition of the Board of Directors was as follows:

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

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

As at the day of publication of this Report the composition of the Board of Directors has not changed.

CHANGES IN THE NUMBER OF SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

During the year 2019 the following changes occurred with respect to AmRest shares and stock options held by the members of the Board of Directors of AmRest.

According to the best knowledge of AmRest, following members of the Board of Directors owned in this reporting period the Issuer's shares: Mr. Henry McGovern, Mr. Carlos Fernández González and Mr. Steven Kent Winegar Clark.

As at 31 December 2018 Mr. Henry McGovern held directly 172 340 AmRest's shares with a total nominal value of EUR 17 234. On 14 May 2019 (being the last day of his term of office on the Board) he held 302 340 shares of the Company with a total nominal value of EUR 30 234.

As at 31 December 2018 Gosha Holdings S.a.r.l. - the closely associated person of Mr. Henry McGovern and Mr. Steven Kent Winegar (the Company's Board of Directors members) held 23 426 313 shares of the Company with a total nominal value of EUR 2 342 631.3. On 31 December 2019, as a result of execution of the share sale agreement with FCapital Dutch, B.V. settled on 9 May 2019, Gosha Holdings S.a.r.l. didn't hold any AmRest's shares.

As at 31 December 2018 FCapital Dutch B.V. – the closely associated person of Mr. Carlos Fernández González (member of the Company's Board of Directors) held 123 777 447 shares of the Company with a total nominal value of EUR 12 377 744.7. On 31 December 2019, as a result of execution of the share sale agreement with Gosha Holdings S.a.r.l. settled on 9 May 2019, FCapital Dutch B.V. held 147 203 760 AmRest's shares with a total nominal value of EUR 14 720 376.

TRANSACTIONS ON OWN SHARES CONCLUDED BY AMREST

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

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

In the period between 1 January 2019 and 31 December 2019, AmRest purchased a total of 89 000 own shares. with a total nominal value of EUR 8 900.0 and representing 0.0405% of the share capital for a total price of approx. PLN 3.9 million (EUR 0.9 million). During the same period, the Company disposed a total of 951 323 own shares with a total nominal value of EUR 95 132.3 and representing 0.4333% of the share capital to entitled participants of the stock options plans. Disposal transactions under these plans were executed in three settlement methods, which impacted the sale price. Major part of the shares was transferred to the participants free of charge. As at 31 December 2019 AmRest held 724 415 own shares with a total nominal value of EUR 72 441.5 and representing 0.3299% of the share capital.

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

DIVIDENDS PAID AND RECEIVED

In the period covered by these Consolidated Financial Statements the Group has paid a dividend to non-controlling interest of SCM s.r.o amounting to EUR 11 thousand (CZK 300 thousand) and SCM sp. z o.o. amounting to EUR 1.4 million (PLN 6.1 million).

AVERAGE PERIOD OF PAYMENT TO SUPPLIERS

Pursuant to Law 15/2010 of July 5, which stipulates measures to combat late payments in commercial transactions, the information on the average period of payment to suppliers of AmRest and its Spanish subsidiaries at 31 December 2019 and 2018 is as follows:

	2019	2018
Number of days:		
Average period of payment to suppliers	23.43	22.78
Ratio of payments	23.93	22.96
Ratio of outstanding invoices	17.85	20.28
Millions of EUR:		
Total payments	186.5	176.8
Outstanding invoices	16.8	12.3

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

SUBSEQUENT EVENTS

On 24 January 2020 the Company announced satisfaction of all conditions envisaged by the agreement concluded with Glovoapp23 S.L. ("Glovo") on August 13, 2019 ("Agreement") and final settlement of the transaction. In consideration for the transfer of 100% of shares in Restaurant Partner Polska Sp. z o.o. ("PizzaPortal") AmRest received total transaction price in the amount of EUR 35 million, as a combination of cash payment of EUR 20 million and newly issued shares of Glovo, which constituted final settlement of the Agreement.

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

FACTORS IMPACTING THE GROUP'S DEVELOPMENT

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

External factors

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

Internal factors

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

BASIC RISKS AND THREATS THE GROUP IS EXPOSED TO

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

Factors remaining outside the Group's control

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

Dependency on the franchisor

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

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

Despite meeting the above-mentioned terms, there is no guarantee that after the expiry of these periods a given franchising agreement will be prolonged to the next period.

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

Dependency on cooperation with minority shareholders

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

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

No exclusivity rights

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

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

Rental agreements and continuation options

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

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

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

Risk related to the consumption of food products

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

Risk related to coronavirus and its spread across the world

AmRest operates restaurants in China which has been affected recently by health issues regarding coronavirus. The Chinese government as well as local authorities have taken measures in order to limit the exposure people may have on each other in order to limit spreading of the virus, one of which was to prolong holiday period after Chinese New Year. Also people have been more cautious in terms of visiting shopping malls or staying in the crowded areas. Not only has it effect on the number of restaurants being opened but also on the general traffic level in the restaurants in China. Also there are confirmed cases of virus spreading across Europe which is the main area of AmRest operations. Although relatively still low in terms of people infected there is a risk of disease spreading out rapidly. It is reasonable to expect that such thing could impact on the Group’s results in a more visible way.

Risk related to keeping key personnel in the Group

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

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

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

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

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

Risk related to developing new brands

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

Risk related to opening restaurants in new countries

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

Currency risk

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

Risk related to the current geopolitical situation

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

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

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

Risk of increased financial costs

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

Liquidity risk

The Group is exposed to the risk of lack of financing at the moment of maturity of bank loans and bonds. As at 31 December 2019, the Group had already been in discussions with the financing institutions to secure liquidity to fulfil its liabilities in the next 12 months.

The Group analyzes liquidity needs with particular focus on maturity of debt and proactively investigates various forms of financing that could be utilized if needed. As part of liquidity management, the Group typically refinances debt at 3-4 quarters prior to final maturity dates.

Tax risk

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

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

Current fiscal supervisions are presented in Note 35 to the Consolidated Financial Statements as for the year ended 31 December 2019.

Credit risk

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

Risk of economic slowdowns

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

Risk related to seasonality of sales

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

(all figures in EUR millions unless stated otherwise)

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

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

Cyberattack risk

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

ACTIVITY IN RESEARCH AND DEVELOPMENT AREA

AmRest does not perform any significant activity in the Research and Development area.

FINANCIAL DATA OF AMREST FOR 3 AND 12 MONTHS ENDED 31 DECEMBER 2019

Consolidated income statement for 3 and 12 months ended 31 December 2019

	year ended		**3 months ended**	
Continuing operations	**31 December 2019**	**31 December 2018** *(restated)*	**31 December 2019**	**31 December 2018** *(restated*)*
Restaurant sales	1 855.6	1 460.6	499.7	418.3
Franchise and other sales	105.9	86.3	29.3	24.6
Total revenue	**1 961.5**	**1 546.9**	**529.0**	**442.9**
Restaurant expenses:				
Food and merchandise	(523.8)	(416.8)	(140.5)	(118.6)
Payroll, social security and employee benefits	(469.6)	(357.2)**	(89.5)	(103.4)**
Royalties	(88.6)	(74.6)	(24.4)	(20.6)
Occupancy and other operating expenses	(560.3)	(451.3)**	(188.6)	(130.3)**
Franchise and other expenses	(73.7)	(62.3)	(21.6)	(17.7)
General and administrative expenses	(147.3)	(115.1)	(38.8)	(34.3)
Total operating costs and losses	**(1 863.3)**	**(1 477.3)**	**(503.4)**	**(424.9)**
Net impairment losses on financial assets	(4.1)	(1.5)	(3.7)	(0.4)
Net impairment losses on other assets	(35.4)	(8.0)	(26.7)	(3.2)
Other operating income/expenses	46.9	11.5	37.4	4.2

(all figures in EUR millions unless stated otherwise)

Profit from operations	**105.6**	**71.6**	**32.6**	**18.6**
Finance income	33.8	2.7	33.4	2.0
Finance costs	(46.0)	(16.8)	(10.5)	(5.4)
Profit before tax	**93.4**	**57.5**	**55.5**	**15.2**
Income tax	(26.5)	(16.2)	(16.8)	(5.1)
Profit for the period	**66.9**	**41.3**	**38.7**	**10.1**
Profit attributable to:				
Shareholders of the parent	65.1	43.0	38.0	10.7
Non-controlling interests	1.8	(1.7)	0.7	(0.6)
Profit for the period	**66.9**	**41.3**	**38.7**	**10.1**
Basic earnings per ordinary share in EUR	0.30	0.20	0.17	0.05
Diluted earnings per ordinary share in EUR	0.29	0.20	0.17	0.05

** The restatement concerns bargain gain on Pizza Hut Russia acquisition of EUR 1.0 million and was described in the note 9 to the Consolidated Semi-Annual Financial Statements for 2019.*
*** The comparative data were restated as a result of an reclassification adjustment described in note 44 of the Consolidated Financial Statement for 2019 (presentation adjustment of expenses from Payroll, social security and employee benefits to Occupancy and other operating expenses, in the amount of: for the year ended 31 December 2018: EUR 17.9 million, for 3 months ended 31 December 2018: EUR 6.5 million).*
The above consolidated income statement should be read in conjunction with the accompanying notes in the Consolidated Financial Statement for 2019.
The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated.

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

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

Non-financial Information Statement of AmRest Holdings SE

for 2019

INTRODUCTION

According to the 11/2018 law of 28 December, relating to non-financial information and diversity, the Board of Directors of AmRest Holdings SE[1] is issuing this Non-financial Information Statement (NFIS) for the 2019 Financial Year as part of the Consolidated Directors' Report which is presented with Consolidated Annual Accounts. This statement has a public character and may be reviewed on the following website: www.amrest.eu.

The statement is an independent part of the Consolidated Director's Report for 2019 and includes information concerning all the subsidiaries of AmRest Holdings SE. In the cases where the data presented does not apply to all AmRest units, the scope is specified exactly. As of 31 December 2019, AmRest operated 2339 equity and franchised restaurants and coffee houses in 26 countries.

Although the franchised restaurants of AmRest are a part of its portfolio, the group does not disclose information regarding these restaurants, as they are operated by third parties.

The Board of Directors analyses the group's performance by geographical breakdown into divisions therefore the information might be presented in this way. Own restaurant and franchise business is analyzed by four operating segments presenting group performance in geographic breakdown. Geographical areas are identified based on the similarity of products and services, similar characteristics of the production process and on the customer base and economic similarities (i.e. exposure to the same market risks).

AmRest had been disclosing non-financial information since 2017, when it did so in accordance with Polish law. Since moving the domicile of AmRest Holdings SE to Madrid in 2018, the group discloses its non-financial information in accordance with Spanish law. On 28 February 2020 the Company's registered office was changed to Paseo de la Castellana 163, 28046 Madrid, Spain. The following NFIS has been prepared in accordance with the GRI Sustainability Reporting Standards, which are listed in the table at the end of the statement. The material topics covered in the following document were diagnosed during the dialogue with stakeholders, as further explained in Section 3 (CSR Strategy, Stakeholders and Material topics) herein.

The reporting scope is from 1 January 2019 to 31 December 2019. All the data is presented as of 31 December 2019 unless stated otherwise.

AMREST'S BUSINESS MODEL AND OPERATIONS IN 2019

AmRest Holdings, SE is the leading multi-brand franchise restaurant operator in Europe with a portfolio of twelve leading-class brands.

AmRest serves meals in more than 2300 locations across 26 countries, mostly in Europe. The group operates self-owned restaurants and franchises. AmRest offers on-premise and off-premise dining, including drive-thru windows, takeout for pickup, phone, online ordering and aggregators platforms.

At the end of 2019 its brand portfolio included four franchise brands (KFC, Pizza Hut, Burger King, Starbucks) and five self-owned brands (La Tagliatella, Blue Frog, Kabb, Bacoa, Sushi Shop) as well as the virtual brands Pokai, Lepieje, 'Oi Poke. AmRest restaurants serve high-quality meals made from fresh products following original recipes and strict standards for each of the brands.

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

1. Quick Service Restaurants ("QSR"), represented by KFC and Burger King,
2. Fast Casual Restaurants ("FCR"), represented by Pizza Hut Delivery and Express, Bacoa and Sushi Shop,
3. Casual Dining Restaurants ("CDR"), represented by Pizza Hut Dine-in, La Tagliatella, Blue Frog and KABB
4. Coffee category, represented by Starbucks.
5. Virtual brands, represented by Pokai, Lepieje, 'Oi Poke.

[1] *For the purposes of this document, the following should be understood to mean the same: AmRest Holdings SE, AmRest, the AmRest group and the group.*

Currently, AmRest operates 2 339 restaurants in 26 countries, including Poland, the Czech Republic, Hungary, Russia, Romania, Bulgaria, Serbia, Croatia, Slovakia, Austria, Slovenia, Spain, France, Germany, Portugal, China, Netherlands, Armenia, Azerbaijan, Belgium, Italy, Switzerland, Luxembourg, the UK, the UAE and Saudi Arabia.

The table below outlines the different brands' business models.

Brand	Business model
KFC	KFC is a global restaurant chain specializing in chicken meals, a world pioneer of quick service restaurants. KFC is a brand for those who value high quality products and service at a good price. Every day, around 12 million customers are served in over 23 000 chain restaurants in over 135 countries around the world. AmRest Holdings operates over 800 KFC units in 12 countries: Poland, Czech Republic, Hungary, Russia, Bulgaria, Serbia, Croatia, Spain, France, Germany, Austria and Slovenia.
Pizza Hut	Pizza Hut is one of the largest restaurant chains in the world. The brand offers a wide selection of pizzas straight from the oven, prepared with fresh ingredients. Since the opening of the first restaurant in 1958, Pizza Hut is known for its perfect service and relaxed atmosphere. AmRest Holdings operates over 450 restaurants (both equity and franchise) in 9 countries: Poland, Czech Republic, Hungary, Russia, Slovakia, Armenia, Azerbaijan, France and Germany. AmRest is developing the brand in the following formats: Pizza Hut Dine-In - restaurants with waiter service, Pizza Hut Express – the concept of offering a fresh pizza, prepared in 5 minutes, in front of guests and Pizza Hut Delivery - restaurants offering deliveries in 30 minutes.
Starbucks	Starbucks is a global leader in the coffee sector, offering its guests a wide selection of coffees from around the world, tea, as well as a wide range of fresh snacks and desserts. In 2019 Starbucks coffee houses operated by AmRest were present in 8 markets: Poland, Germany, Czech Republic, Slovakia, Hungary, Romania, Bulgaria and Serbia.
Burger King	Founded in 1954, the Burger King brand is the second largest fast food hamburger chain in the world. The original HOME OF THE WHOPPER®, the Burger King system operates in more than 17 000 locations in more than 100 countries and U.S. territories. AmRest operates Burger King outlets in Poland, Bulgaria, the Czech Republic, Slovakia and as of 2019, Romania.
La Tagliatella	La Tagliatella is a dynamically growing international Casual Dining chain. AmRest's acquired the brand in April 2011. La Tagliatella restaurants are operated by AmRest and its franchisees. As of 2019, the brand is present in four countries: Spain, Portugal, France and Germany.
Blue Frog	Blue frog is an unusual concept combining elements of a casual restaurant with a wide bar offer. The restaurant offers dishes known from the American kitchen enriched by distinct Asian influences. In 2019 the brand was present in two countries: China and Spain.
KABB	KABB Bistro Bar is a premium Dine-In restaurant serving dishes in China. AmRest became an owner of the KABB brand in December 2012 by purchasing the majority stock of the Blue Horizon Hospitality Group LTD.
Sushi Shop	Sushi Shop became part of AmRest's portfolio in October 2018. Sushi Shop operates a chain of 179 Japanese restaurants, one-third of which are franchised out. Sushi Shop is present in France (72% of all restaurants) and 11 different countries, including Spain, Portugal, Belgium, Luxemburg, Netherlands, the UK, Germany, Switzerland, Italy, Saudi Arabia and UAE. Delivery orders account for 55% of the group's sales, while sales for takeout stand at 32%.

Brand	Business model
Pokai	Pokaï is a virtual brand created by the group Sushi Shop in April 2018, which offers a large range of poke bowls. Its products are sold through aggregators only (Deliveroo, UberEATS etc). Pokaï is present in all of the countries where Sushi Shop restaurants are, except for shops in Luxembourg, the Netherlands, Saudi Arabia and Portugal.
Bacoa	Bacoa is a chain of 10 premium burger restaurants located in three cities in Spain (Barcelona, Madrid, Lleida). The brand became part of AmRest's portfolio in 2018. Established in 2010, the company operates self-owned restaurants and franchises. Bacoa value proposition is based on fresh, natural, eco products sourced from expert suppliers and a central kitchen that delivers high-quality burgers in trendy surroundings.
Lepieje	Lepieje is a virtual brand created for delivery only in response to the Shadow Kitchen project of AmRest and to the global restaurant market trends. The brand operates since 2 December 2019 in Wroclaw and it is accessible via aggregators (as at February 2020 on Glovo and Pizza Portal). The brand is inspired by the dumplings from the different parts of the world.
'Oi Poke	'Oi Poke is a virtual brand offering exotic bowl compositions based on meat, fish or shrimps with fresh and original additions. The cuisine comes from Hawaii, where everything "perfect" is called "'Oi". The brand contributes to the Shadow Kitchen project of AmRest. It operates via aggregators Pizza Portal and Glovo from 18 December 2019 (SK Wroclaw Perla).

AmRest has focused on the development and expansion of its mature brands and expanding the portfolio. The group has been growing continuously every year by opening more restaurants and conquering new markets. Recently, the AmRest Group has been implementing the strategy that aims to make it the restaurant market leader in the Quick Service Restaurants and Casual Dining Restaurants segments by developing brand restaurant chains reaching the scale and meeting the profitability criteria.

AmRest strategy is to leverage the culture, international capability and superior brand portfolio to grow scalable, highly profitable restaurants globally.

In the coming years, the Company will continue to strengthen its position as the restaurant market leader in Europe. In 2019 the group implemented a new strategy of growth based on four key pillars: Operations, Food Service, Franchising and Digital & Delivery.

Four pillars of AmRest growth:

- **Operations**: Every restaurant run by AmRest should provide an excellent experience to its guests and at the same time have healthy and profitable business economics.
- **Food Service**: A sustainable and agile beginning to end food service offering, which delivers excellence in margin, innovation, quality, supports organization growth and generates commercial value, serving both internal and external customers, underpinned by AmRest culture.
- **Franchising**: With a clear strategy, proper business model and market know-how, in addition to great brands, AmRest provides attractive offers to new partners and as a consequence gives them a sense of stability and security.
- **Digital & Delivery**: AmRest is all about customers and the experience they get when entering its restaurants. The goal for this area is to transform real life experiences and make them consistent with the experiences AmRest customers get in the online world.

The model will enable AmRest to grow dynamically and deliver satisfactory financial results, while respecting the natural environment and focusing on customers and their satisfaction.

The table below presents AmRest's growth between 2017 and 2019. The restaurant count includes self-owned restaurants and franchises.

Table. Restaurants and coffee houses operated by AmRest Holdings SE.

Dec 31, 2017	Dec 31, 2018	Dec 31, 2019
1 657[2] restaurants	2 138[3] restaurants	2 339 restaurants

Table. Restaurants and coffee houses operated by AmRest Holdings SE in 2019 by brand

Brand	Restaurant count (2017)	Restaurant count (2018)	Restaurant count (2019)	Self-owned restaurants	Franchise restaurants	No. of countries where the brand was present in 2019
KFC	669	779	**868**	868	0	12
Pizza Hut	330	444[4]	**483**	265	218	9
Starbucks	319[5]	358[6]	**396**	376	20	8
La Tagliatella	236	249	**248**	84	164	4
Burger King	54	60	**2**	72	0	5
Blue Frog	45	67	**79**	73	6	2
KAAB	4	3	**2**	2	0	1
Sushi Shop	0	171	**179**	114	65	12
Bacoa	0	7	**10**	5	5	1
Lepieje	0	0	**1**	1	0	1
'Oi Poke	0	0	**1**	1	0	1
Total number of restaurant and coffee houses	1 657[7]	2 138[8]	**2 339**	1 861	478	-

Franchisors and franchisees

AmRest has been developing a portfolio of global restaurant brands and leaders in their categories - KFC, Pizza Hut, Burger King and Starbucks - based on franchise and partnership agreements. This means that in selected markets AmRest holds the right to manage such restaurants based on agreements signed with the brand owners: Yum! Brands, Burger King Europe and Starbucks EMEA. Long-term, well-arranged cooperation with partners allowed AmRest to develop a high level of independence in terms of the management model.

AmRest is a franchisee of Yum! Brands Inc. for the **KFC** and **Pizza Hut** brands. Starting from 2017 the Group as a master-franchisee of Pizza Hut brand has the right to grant a license to third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise) in countries of Central and Eastern Europe, while ensuring a certain share of restaurants operated directly by AmRest.

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

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

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[2] *Restated (1 636 reported in 2018).*
[3] *Restated (2 126 reported in 2018).*
[4] *Restated (449 reported in 2018).*
[5] *Restated (301 reported in 2018).*
[6] *Restated (341 reported in 2018).*
[7] *Restated (1 639 reported in 2018).*
[8] *Restated (2 126 reported in 2018).*

AmRest's portfolio also includes owned brands. As an owner, the group may grant franchises to independent entities.

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

Blue Frog and **KABB** brands became the property of AmRest in December 2012 as a result of acquisition of Blue Horizon Hospitality Group LTD. In 2018 AmRest started granting the franchise to unrelated entities in Spain and since 2019 also in China.

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

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

Pokaï became part of AmRest by acquisition of Sushi Shop Group SAS.

Table. Number of AmRest Holdings SE business partners in 2019 by type

Type of partner	2017	2018	2019
Franchisees	161	194	353
Franchisors	4	4	4

While developing the global business AmRest remains an active member of the local community. The company is involved in many local industry organizations:

- China
  - Shanghai GiftCard Association
  - Shanghai JinQiao Economic and Technological Development Zone Enterprise Association
  - Shanghai Bar Profession Association
  - American Chamber of Commerce in Shanghai
- Russia
  - Saint-Petersburg Chamber of Commerce and Industry
- Poland
  - American Chamber of Commerce
  - Związek Pracodawców Hoteli, Restauracji i Cateringu (Association of HORECA Employers)
  - Young Presidents Organization Poland
- Czech Republic
  - Asociace Pro Rozvoj Trhu Nemovitostí (Association for Real Estate Development)
- Croatia
  - Croatian Chamber of Economics
- Germany
  - Bundesverband Systemgastronomie (The Federal Association of the System Catering)
  - Industrie- und Handelskammer (Chamber of Commerce and Industry)
- France
  - SNARR (National Professional Restaurant Union)
- Hungary
  - Chamber of Commerce
- Spain
  - Comité Horeca de AECOC (HORECA Committee)
  - Asociación progreso dirección - APD (Formación) (Association for Progress and Management)
  - Asociación Empresarial de Marcas de Restauración-Fehrcarem (Business Association of Restaurant Brands)
  - Asociación Española del Franquiciado (Spanish Association of Franchisees)
  - Asociación del Cluster Food Service de Cataluña (Association of the Food Service Cluster of Catalonia).

Total amount of money paid as membership fees is EUR 242 363.

CSR STRATEGY, STAKEHOLDERS AND MATERIALITY TOPICS

To effectively carry out the activities as a responsible company, AmRest implements the Responsible Business and Sustainable Development Strategy of AmRest's for 2015-2020 (CSR Strategy). In 2019, the company started the process of revising the strategy.

The CSR Strategy covers four pillars. In each area AmRest carries out many activities, both locally and globally:

1. Our food:
   a. Constant improvement of the nutritional value of our food, paying maximum attention to its quality and safety throughout the entire supply chain.
2. Our people
   a. Culture of inclusiveness; employer of choice.
3. Our environment
   a. Acting in an environmentally-friendly manner in all operating areas.
4. Our communities
   a. Brands recognized by employees, customers and local communities as a socially engaged brand.

Infographic. Four pillars of Responsible Business and Sustainable Development Strategy of AmRest.

Stakeholders

An AmRest stakeholder is anyone who influences the company and whom the company influences through its operations. The stakeholders were identified in 2015 by conducting internal workshops with members of the Executive Team during the process of developing the Responsible Business and Sustainable Development Strategy of AmRest. The most important ones were and remain still: employees, including employees with disabilities, customers of all brands, investors, suppliers (including regular and long-standing business partners), and local communities and local authorities in the regions where the group operates.

Infographic. Key stakeholders of AmRest Holdings SE and the way of communication

OUR EMPLOYEES

opinion and satisfaction surveys, website, e-mail, phone calls, training, e-learning, meetings with the management, the Intranet, newsletter

INVESTORS AND OWNERS

conference calls and meetings, Investor Day at AmRest, operational and periodical reporting, website, interactions with the Investor Relations Department

OUR CUSTOMERS

face-to-face interactions at our restaurants, surveys, leaflets, information materials at restaurants, website, press releases

LOCAL COMMUNITIES AND AUTHORITIES, NGOS

volunteering initiatives, website, face-to-face interactions, press releases and local media

OUR SUPPLIERS

face-to-face interactions, audits, website, e-mail, phone calls

Materiality topics

Before the first non-financial reporting process (2017) AmRest conducted a survey among its stakeholders. They were asked which aspects of the company's performance should be included in the non-financial reporting. The survey provided detailed information on the stakeholders' views of AmRest. The respondents indicated the issues which, in their opinion, should be discussed in the sustainability report. These included environmental matters as well as employee and supplier relations. The most important topics were:

- ensuring a high quality of produce and the products made from it, including compliance with existing regulations and reliable ingredient listing,
- consumer satisfaction,
- waste minimization/maximum use of ecological packaging,
- description of the supply chain and criteria of supplier selection,
- resource management, including water and energy consumption,
- employee policy together with occupational health and safety,
- working for local communities and employee volunteering initiatives.

As part of the survey, interviews were also conducted with the key stakeholders. In this way the company learned how the stakeholders perceived and understood responsible business and what they thought of AmRest. The stakeholders believed that the group needed to report on such topics as corporate governance and management, workplace relations, supply chain, financial performance, and social engagement.

In 2018, a workshop was conducted with the participation of key managers, where topics and activities relating to responsible business in the company were raised. Key topics were: digitalization throughout the organization, integration of markets, entering new markets and adding new brands to AmRest's portfolio, as well as employee issues.

In September 2019 the group started the strategy revision process by conducting an external stakeholders' panel with representatives from many areas. The purpose of the panel meeting was to learn the opinions and expectations of stakeholders regarding the direction of AmRest activities in terms of sustainable development and responsible business. The meeting was conducted in accordance with international standard for dialogue (AA1000 Stakeholder Engagement Standard).

During the workshop a list of thematic areas that stakeholders believe should be particularly important for AmRest as a responsible company were defined:

- SUPPLY CHAIN: ethics, social clauses, products origins, environmental impacts
- ENVIRONMENTAL MATTERS: circular economy, food waste, carbon footprint
- PRODUCTS AND DIVERSITY OF THE OFFER: healthier, vegetarian/vegan options
- WORKPLACE MANAGEMENT: accessibility, dialogue with employees
- SOCIAL COMMITMENT AND CONSUMER EDUCATION: building partnerships with experts on social topics.

The participants also shared their thoughts and recommendations on the topic of responsible business and sustainability.

In October 2019 AmRest organized an internal workshop dedicated to learn the opinions and recommendations of employees, representing various areas of the company's departments, on current and future environmental management priorities in AmRest's day-to-day operations.

During the meeting, the most impactful Sustainable Development Goals[9] (SDGs) for AmRest were listed in terms of AmRest's future environmental policy and the relationship between specific tasks assigned to the SDGs and AmRest's activities. The most important SDGs for AmRest are:

- Goal 2. Zero hunger
- Goal 12. Responsible consumption and production
- Goal 13. Climate action
- Goal 15. Life on land

During the company's annual strategic offsite meeting, the Board of Directors established the priorities for the coming years, which include accelerating organic expansion through franchisees and a disciplined mergers & acquisitions strategy; increasing profitability, mainly in Western Europe; continuing our efforts to consolidate leadership in the home delivery segment; maintaining healthy leverage levels; offering our employees exciting growth opportunities; and continuing to support our corporate social responsibility initiatives. The purpose of all this is to transform AmRest into the leading and most profitable restaurant operator in Europe.

The results of all above will be a basis for the preparation of AmRest Environmental Policy and the company's sustainable development goals for the upcoming years.

FOOD-RELATED ISSUES

One of the most relevant issues for AmRest Holdings SE is to ensure the safety and quality of the products served in its restaurants and coffee houses. The group's objective is to apply the highest product safety and quality standards throughout the supply chain and source fresh products from local suppliers. Food quality and safety is one of the four key priorities of the Responsible Business and Sustainable Development Strategy of AmRest.

The CSR Strategy identifies the following key topics in 'Our Food' focus area:

- food quality and safety
- responsible procurement and sales
- transparent disclosure of nutrition facts

The **strategic activities in** 'Our Food' focus area are:

- product monitoring: laboratory tests according to an annual plan;
- supplier monitoring: audits of key suppliers;

[9] The Sustainable Development Goals (SDGs) are a collection of 17 global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs, set in 2015 by the United Nations General Assembly and intended to be achieved by the year 2030, are part of UN Resolution 70/1, the 2030 Agenda.

- implementation of an annual plan for increasing the transparency of the quality and safety information concerning products and meals offered to customers;
- developing cooperation with local suppliers.

Each of the brands in the AmRest Holdings SE portfolio has its own strict food safety policies and makes sure that they are diligently followed. What is more, AmRest applies global food safety rules set out in its **Food Safety Fundamentals (FSF)**. The FSF is a global document addressed to the different groups of people responsible for food safety and quality control across the organization. It is not directly applicable at restaurant-level. Instead, it provides a foundation on which food safety standards for each brand and country are based. The FSF is also the reference point for evaluating food safety in new markets where AmRest enters. Each market and brand is different, yet - regardless of local laws, individual standards and procedures – they all must meet a certain food safety level required by AmRest.

AmRest's restaurants and coffee houses are meticulously inspected for food safety. Individual inspection standards and schedules are applied across the different brands to account for their specific needs. All inspections are unannounced and carried out by independent internal and external auditors. Inspection results are uploaded to an online system and analyzed. If the outcome is not satisfactory, a corrective plan is put in place. From Q4 2019 all audits in AmRest franchised brands (KFC, Pizza Hut, Burger King, Starbucks) are conducted globally by external company which is trained and controlled by the franchisors.

The number of audits conducted in 2019 in AmRest Holdings is 6091. 100% of AmRest restaurants were inspected.

AmRest Holdings SE is committed to ensure food safety and quality. This objective is achieved through:

- systems designed to track expiration dates and manage inventory rotation;
- an order management system that helps restaurant and coffee houses managers optimize the quantity of products they order and ensure that the inventory is always fresh;
- cold and freezer rooms fitted with electronic temperature control systems and professional food storage equipment as well as special door curtains help eliminate sudden changes of temperature;
- highly effective, professional cleaning agents/disinfectants as well as specific devices to make dosing more efficient; continual monitoring of agent concentration to ensure maximum effectiveness;
- systems to ensure that employees wash/disinfect their hands;
- periodical training sessions on hygiene and quality maintenance standards;
- unannounced inspections at restaurants carried out by internal and independent auditors;
- food safety management procedures to ensure top quality and safety at the restaurants;
- control systems for thermal processing – e.g. frying or roasting – which guarantee the best food quality and safety.

Suppliers

AmRest's presence in 26 countries poses a great logistical challenge. The group has been working with a range of suppliers who deliver the best food quality and safety, as attested by appropriate certificates. The reliability, credibility, and professionalism of AmRest business partners' make it possible to serve fresh products at more than 2 000 restaurants all over the globe every day.

AmRest values well-established cooperation with local suppliers. The company still cooperates with the suppliers from the opening of the first Pizza Hut restaurant in Wroclaw in 1993. Direct purchases from local suppliers (which are over 80% of suppliers for the Central Europe division) are carried out through the company - SCM, which is responsible for all processes in the purchasing procedure.

As part of the agreement each supplier cooperating with SCM sings the AmRest Code of Conduct which addresses the social and environmental matters such as child labor, discrimination, health and safety, protection of the environment.

AmRest collaborates with food suppliers that use good environmental practices in farming and animal husbandry. These practices help to protect biodiversity, prevent soil degradation and conserve water resources.

AmRest audits its key suppliers to check their compliance with quality standards and good farm management practices.

With biodiversity in mind, larger farmers are required to remove a portion of their land from production (meadows, ditches, catch crop and crop rotation). AmRest's suppliers of foods derived from plants must comply with these requirements.

In 2019 AmRest cooperated with 18 148 suppliers.

Total expenditure for local AmRest's suppliers was 88.63%.

The table below presents the number of AmRest business partners between 2017 and 2019.

Table. Number of AmRest Holdings SE suppliers in 2019 by type

	2017	2018	2019
Suppliers	11 931	13 846	16 836
(incl. food suppliers):	1 167	1 211	1 312
Total	**12 150**	**14 044**	**18 148**

AmRest Holdings SE carries out regular food quality tests and supplier audits. The scope and rules of supplier audits are set out in the **Supplier Approval Process**, while food quality checks are governed by the **Brand Protection Monitoring System (BPMS)**, which focuses mainly on food safety.

The BPMS is applied in: Poland, the Czech Republic, Hungary, Bulgaria, Serbia, Croatia and Austria with regard to the KFC, Burger King and Pizza Hut brands. Product quality tests are carried out according to strict standards established for each of the brands AmRest operates as they all differ in terms of the type of products offered (and produce used) and the risks and threats they face as identified by the group based on its long-term experience in brand management.

Each restaurant operated by AmRest requires specific products that meet certain requirements. That is why, the group puts strong emphasis on direct, day-to-day contact with its suppliers and is involved in perfecting the production, storing and transport of the products it purchases. AmRest's suppliers are reliable, experienced producers and market leaders in product quality. AmRest's Supply Approval Process applies in all of the markets where the group operates. AmRest uses three separate procurement channels - each regulated by different policies and procedures:

- SCM: direct procurement and some of the investment procurement
- Indirect Procurement Department
- Investment Department

SCM purchases are regulated by the **Procurement Procedure**. It applies in the CEE markets (and will be implemented in the French and German markets). The Procedure indicates which documentation is needed before signing up a new supplier; when and how often tendering should take place; and governs the tender approval process. This is an audit requirement applicable within different product groups. SCM purchases are also governed by the Supplier Approval Process, which applies globally, except for the Chinese and Spanish markets.

The Indirect Procurement Department makes purchases based on AmRest's **Global Procurement Procedure** applicable across the whole group, with the possible exception of Spain and China, which have local policies.

The **Cost Management Procedure** governs the expenses incurred within the entire group by the Investment Department.

Table. AmRest Holdings SE procurement budget

Supplier category	Budget share
Local suppliers	88.63%
Foreign suppliers	11.37%

In 2019 100% of the suppliers providing fresh fruit and vegetables to AmRest's restaurants in the Central European Division (Poland, Czech Republic, Hungary, Croatia, Slovakia, Austria, Serbia) received the **Global GAP certification**. Global GAP is a farm management practice assessment scheme that helps meet the highest standards of safety and quality in food production from field to table. Global GAP focuses on field practices, fertilization, plant protection and irrigation.

Consumer satisfaction surveys

Customers' opinions play an important role in the way AmRest manages and develops its business. Consumer feedback informs the decision-making processes concerning all AmRest brands across the world. Consumer satisfaction is the best indicator of how likely they are to return to the restaurant in the future.

Complaints[10] are handled by AmRest's Customer Care Department. A complaint may be justified or stem from a misunderstanding or unrealistic expectation of a product or service. In any case, the way in which a complaint is handled influences the customer's general satisfaction and may influence their long-term loyalty.

Customers who are not happy with the service at AmRest's restaurants may offer feedback via:

- phone,
- e-mails,
- online contact forms on KFC, Pizza Hut, Starbucks, Burger King, AmRest.eu websites
- Social Media pages,
- or directly to the staff of the restaurant (who may ask the customer to file the complaint in writing).

Following their visit to an AmRest restaurant, customers are invited to take part in an online Customer Satisfaction Survey (the frequency is determined at POS level). Every operational leader (restaurant/coffee house manager) may personally access the survey results. Based on the customer feedback reports, the management team sets weekly priorities to increase customer satisfaction at the restaurant, regional, district and market level.

The total number of complaints received in 2019 was 198 923.

The maximum average response time is 72 hours.

The complaints-handling processes are governed by separate policies for different markets. Each complaint goes to the Owner and to the subject matter experts aligned to the approved communication flow. The Owner resolves the case according to the policies and hospitality standards within the expected SLA tracked by the online consumer feedback management system called AmCare.

Table. Overall consumer satisfaction in 2019 by brand

Brand	Score[11]
Bacoa	90
Blue Frog	94
Burger King	67
KFC	57
La Tagliatella	79
Pizza Hut	58
Starbucks	79
Sushi Shop	76

[10] A complaint is understood to mean an expression of dissatisfaction with a product or service made by an internal or external customer verbally or in writing.

[11] The percentage of customers who gave the brand the highest rating when questioned about their overall satisfaction (maximum score = 100% responses offering the highest overall satisfaction rating).

Table. Number of customer inquiries made in 2019 by brand

Brand	No. of inquiries
Bacoa	1 706
Blue Frog	5 739
Burger King	20 371
KFC	287 005
La Tagliatella	25 716
Pizza Hut	145 618
Starbucks	164 446
Sushi Shop	56 618

Customer satisfaction results are communicated down from top management (Brand Presidents) to the business unit level (restaurant managers) during operational meetings. All consumer satisfaction results are available in a web-based consumer feedback system which facilitates fast and well-informed decisions to ensure that AmRest's restaurants continue to upgrade their offer.

In 2018 AmRest launched **AmCare**, a consumer feedback management system that aggregates consumer opinions, complaints or suggestions and is available on various electronic devices, including smartphones.

The service gathers feedback from various sources, including online contact forms, Facebook comments, e-mails, customer satisfaction surveys, etc. at the organization level.

The system manages the following processes:

- incident management, incl. fast communication within AmRest via text messages
- complaints management
- management of requests & suggestions
- recognition management

AmCare's characteristics:

- The service is accessible from different devices, including smartphones.
- It offers customized user access depending on the user's position in the hierarchy.
- Customer feedback is managed by the Customer Care Team, then communicated to the owners (RST or OPS, depending on the issue), supervisors and other experts according to the communication matrixes.
- Each AmCare user receives notifications about the status of each individual instance of customer feedback via email, and in the case of incidents or potential incidents, also via a text message.

Diversification of the offer

The main trend that impacts and will impact the offers of AmRest brands is personalization and limiting of meat consumption. Products like milk alternatives and vegan/vegetarian are becoming more and more popular. The ability to personalize the order by changing products into e.g. lactose-free gives a sense of uniqueness to the customers and expresses respect for them.

In 2019 AmRest biggest brands – KFC, Burger King, Pizza Hut and Starbucks – introduced products for people who wanted to limit their meat consumption or who were vegetarian. In May KFC in Poland introduced the Halloumi Burger and Twister that gained good reviews from customers. In November Burger King launched Rebel Whopper globally, which consists of a plant-based patty. The "artificial meat" was also introduced in Pizza Hut in Russia and Poland. Starbucks' food offer is based mainly on products that are vegetarian.

Consumers want to feel special, that is why they tend to lean towards products that meet their (often very specific) expectations. Together with suppliers and producers, AmRest is constantly seeking the best solutions for its guests.

ENVIRONMENTAL ISSUES

In today's volatile environment, sustainable growth implies undertaking actions which are good for the future of the Planet. AmRest's ambition is to be not only an active player, but also an agent of change contributing to building a better world for current and future generations.

In 2019 AmRest started preparing a global environmental policy for AmRest Holdings. Due to legislative differences across the countries where AmRest operates and the group's rapid growth, AmRest Holdings SE hasn't adopted a global environmental policy for the whole group yet. However, the group is aware that the scale of its operations impacts the environment and wants to manage those impacts in a careful and responsible manner. That is why the company expects its subsidiaries across the world to take active steps to protect the environment and optimize its use of natural resources. Additionally, AmRest has adopted a set of global goals for efficient energy use and energy saving that apply to the group as a whole.

GREEN Project - Global Remodeling of Energy Efficiency

The goal of the GREEN project was to remodel the energy efficiency of AmRest's new and existing restaurants to reduce electricity consumption and partly offset the rise in energy prices.

In 2019 the project was implemented in Poland, the Czech Republic, Russia, Romania, Hungary and Germany. The targets (-3% kWH vs LY, additional -5% kWH vs LY in the long term) were fully achieved in Poland, the Czech Republic and Hungary. The short term goal has been fulfilled in Romania. Although in Russia and Germany, AmRest had many energy efficiency solutions, the goals haven't been achieved in these countries.

Selected energy efficiency solutions implemented[12]:

- Most of AmRest's restaurants and coffee houses are covered by a remotely-operated energy consumption monitoring system which makes it possible to analyze energy use at the store level, act to conserve energy and look for optimizations. AmRest is working on implementing the system in each of its stores.
- In most markets AmRest uses optimized equipment-operating procedures which are explained in detail in the information material for employees.
- AmRest restaurants use motion detectors in utility rooms and restrooms as well as energy efficient ventilators. AmRest also uses air conditioning systems with heat pumps.
- Some of the deep fryers, freezers, ovens and other equipment used in the restaurants are energy-saving devices with ENERGY STAR certificates. Fryers are fitted with a special, energy-saving system that makes it possible to reduce the amount of oil used.
- KFC, Burger King and Pizza Hut restaurants in Poland recover heat from their refrigeration systems and use it to heat water.

AmRest restaurants and coffee houses work to minimize the environmental impact of their operations in accordance with each brand's procedures. In addition, the brands implement many eco-friendly solutions.

Pro-environmental activities from examples of selected brands:

KFC

- The KFC brand participates in the HARVEST program, which prevents food waste by sharing it with the poorest.
- GreenWay project - developing a network of e-vehicle chargers at KFC restaurants in Poland.

Pizza Hut

- The pizza boxes are recyclable and are made from 70% recycled paper.
- "No straw" action in Poland – straws handed out at the request of guests.
- In the Czech Republic and Slovakia, waste is segregated by category: BIO, plastic, paper and mixed waste.
- In Poland Pizza Hut participates in the HARVEST program and donates unsold food to Food Banks. The brand also joined the Too Good to Go program at the end of 2019.

[12] *In the AmRest Group, energy from renewable sources is not used.*

Starbucks

- Guests who visit the coffee house with their own cup and do not use paper cups receive a discount for any beverage.
- In Poland and Germany Starbucks participates in the Too Good to Go program, that prevents food waste.
- Coffee houses in Poland share packages of coffee waste with their guests so that it can be reused for plants or DIY peelings.

Sushi Shop

- The Sushi Shop brand participates in the catering industry program, Too Good to Go, which works at reducing food waste. This is why Sushi Shop reduces the weight of food waste and CO_2 emissions from such waste.
- The brand no longer inserts menu leaflets to orders placed online. Leaflets are added at the request of our guests.

KFC LEED:

October 2019 the KFC Kraków Opolska restaurant was opened. It is the first restaurant opened by the AmRest Holdings SE that has been designed with eco-friendly efficient solutions, e.g. solar panels, heat recovery systems, smart control systems of air volume, smart light automation and usage of reused materials. Due to the opening the company applied for LEED certification. The restaurant achieved LEED certification on 28 January 2020.

A paper revolution in Poland - Document Management System and digital confirmation of card payment

AmRest makes every effort to ensure that the company's development is carried out in compliance with the highest standards of care for the environment. In the last five years AmRest in Poland archived over 1 200 000 paper invoices. The growing business meant more and more paper in use. By 2019 the Polish market generated about 50 boxes of paper a month.

In 2019 the company developed the Document Management System (DMS) which would end the era of paper invoices. The first phase was introduced in September. The digital archive system has many advantages:

- reduces the usage of paper,
- shortens the time of document flow from the delivery time (from days via post to seconds using digital solutions) to placing the documents in binders and boxes,
- saves storage space.

DMS is an example of an eco-friendly solution that helps the company operate more effectively. AmRest plans to also launch the program on other markets.

Another initiative that aimed at reducing the usage of paper was switching to digital confirmation of card payment. From February 2019 KFC, Burger King and Starbucks in Poland, do not print the paper confirmation of payment by card for internal usage (accounting). Only a copy for the client is printed. Previously, both paper confirmations were printed, then one had to be stored and then sent to the office for accounting.

Energy

In 2019 AmRest Holdings SE used **1 301 590.71 GJ** of electricity.

Table. AmRest Holdings electricity consumption in 2019 by country (GJ)

Country	2018	2019
Austria	399.70	1 042.52
Belgium	-	1463.00
Bulgaria	6 442.60	8433.00
China	38 742.70	47 072.31
Croatia	10 481.00	6 658.39

Country	2018	2019
Czech Republic	106 073.75	124 260.75
France	121 814.60	123 071.75
Germany	80 280.00	74 358.00
Hungary	69 011.50	75 530.25
Italy	-	293.00
Luxembourg	-	585.00
Netherlands	-	146.00
Poland	379 006.40	384 030.00
Portugal	-	2 952.00
Romania	8 674.84	10 433.00
Russia	204 815.80	190 633.22
Serbia	11 460.00	8 606.12
Slovakia	1 332.00	3 555.80
Slovenia	957.40	863.80
Spain	179 552.80	234 383.80
Switzerland	-	1 756.00
United Kingdom	-	1 463.00
TOTAL	**1 219 045.09**	**1 301 590.71**

The total electricity consumption in 2019 increased compared to the previous year by 6.7%. This is caused by expanding the data source[13], the organic growth of AmRest – 200 new restaurants opened globally - but also by climate changes, e.g. higher temperatures in Europe implies a higher demand for air conditioning usage.

Fuel

Table. Fuel consumption of AmRest car fleet in 2019 (liter)[14]

Metric	Country	DIESEL (liter)	PETROL (liter)
Fuel consumption by the AmRest car fleet in 2019 (liter)	Austria	4 127.40	-
	Belgium	-	61 696.00
	Bulgaria	-	-
	China[15]	-	-
	Croatia	-	-
	Czech Republic	95 552.96	751.35
	France	108 966.77	219 988.00
	Germany	139 068.00	15 426.00
	Hungary	-	196 033.60
	Italy	-	2 322.00
	Luxembourg	-	9 815.00
	Netherlands	-	1 161.00
	Poland	418 348.00	56 761.00

[13] *In 2018 Sushi Shop markets did not disclose information.*
[14] *Bulgaria, Croatia, Slovenia, Portugal – no data available.*
[15] *In China employees do not use company cars.*

Metric	Country	DIESEL (liter)	PETROL (liter)
	Portugal	-	-
	Romania	20 663.01	8 050.88
	Russia	7 602.00	95 154.00
	Serbia	1 031.00	1 618.00
	Slovakia	8 831.65	-
	Slovenia	-	-
	Spain	195 398.00	12 186.00
	Switzerland	-	11 900.00
	United Kingdom	-	57 241.00
	TOTAL	**999 588.79**	**750 103.83**

Carbon footprint

AmRest is working on reducing greenhouse gas emissions, especially by aiming to optimize energy consumption by reducing electricity consumption, and improving the data collection process needed to calculate emissions. In 2019 the company gathered data about:

- energy consumption from all markets where the group operates;
- fuel consumption of car fleet from all markets except Bulgaria, Croatia, Slovenia and Portugal;
- and business trips from all countries except of Austria, Bulgaria, Croatia, Portugal, Slovenia, Spain.

The numbers provided were the basics for calculating the carbon footprint of AmRest Holdings in 2019.

Table. Scope 1 and Scope 2 for AmRest Holdings [tCO2e]

	2019
Scope 1	**50 973.59**
Scope 2	**161 508.69**

Water

In 2019 AmRest Holdings SE used **2 241 181** m³ of water.

Table. Water withdrawal in 2019 by country [m³]

Country	2018 (m³)	2019 (m³)
Austria	558	1 613
Belgium	-	1 358
Bulgaria	27 409	32 816
China	155 432	190 505
Croatia	10 957	11 509
Czech Republic	169 888	186 929
France	835 316	301 367
Germany[16]	-	-
Hungary	106 854	120 758
Italy	-	8 834

[16] *No data available. All locations in this country have water charges included in the rent as a flat fee.*

Country	2018 (m^3)	2019 (m^3)
Luxembourg	-	4 684
Netherlands	-	611
Poland	469 779	480 081
Portugal	-	2 147
Romania	44 292	48 752
Russia	420 000	481 000
Serbia	12 710	14 692
Slovakia	2 583	3 757
Slovenia	1 779	2 897
Spain	308 133	340 355
Switzerland	-	4 548
United Kingdom	-	1 968
TOTAL	**2 565 690**	**2 241 181**

Example of practices for reducing water consumption:

In most newly built restaurants and coffee houses managed by AmRest (KFC, Burger King, Pizza Hut and Starbucks brands) only wash basins with water-saving aerators and proximity sensors are used in the bathrooms. In the KFC LEED in Kraków the water for plants inside and outside the building comes from collected rainwater.

Potential effect on biodiversity

The following two areas potentially have the strongest effects on biodiversity in AmRest's value chain:

- practices used by suppliers of AmRest's key products, in particular their approach to vegetable and crop farming as well as animal husbandry.
- responsible management of waste generated by restaurants and coffee houses, in particular waste that might contaminate water and soil (e.g. used frying oil) if managed incorrectly.

With regards to provisions and guarantees for environmental risks AmRest has no specific environmental insurance.

Waste management

The variety of waste management solutions implemented and different legal requirements across individual countries and stores are the two reasons why AmRest has not adopted a global system of waste management and monitoring yet. It is also difficult to obtain data on waste production for restaurants and coffee houses located in shopping malls where waste collection and transfer is the responsibility of building managers. AmRest has, nevertheless, defined guidelines that must be followed by restaurant managers and employees, and continually works to raise their awareness on responsible waste management.

The restaurants of individual brands receive detailed instructions on how to manage waste and report their compliance with relevant good practices.

AmRest discloses waste management information in accordance with the relevant provisions existing in each country where it operates.

In 2019 AmRest generated 57 101.32 tonnes of non-hazardous waste. Hazardous waste are defined in accordance with national laws hence the data are not comparable. The company will work to address the issue and improve data collection in upcoming years.

Table. Total amount of waste generated by type and disposal method [tonnes]

Country	Type of waste		Disposal method	
	Non-hazardous	Organic	Recycled	Reused[17]
Austria	34.77	10.89	13.08	3.67
Belgium	202.00	-	-	-
Bulgaria	1 076.00	-	-	-
China	2 352.00	-	-	217.22
Croatia	143.10	34.36	108.74	14.65
Czech Republic	2 389.42	561.44	454.23	284.46
France	6 174.12	-	-	170.80
Germany	4 184.00	10.80	1 816.00	161.61
Hungary	9 144.00	13.48	616.93	86.71
Italy	47.00	-	-	-
Luxembourg	138.00	-	-	-
Netherlands	5.00	-	-	-
Poland	7 347.19	502.03	349.90	422.62
Portugal	146.00	-	60.00	3.72
Romania	2 538.00	420.00	-	-
Russia	11 610.75	6517.25	1 065.80	921.97
Serbia	220.00	-	3.40	26.61
Slovakia	-	-	-	4.89
Slovenia	24.97	-	24.97	3.29
Spain	8773.00	243.76	3 930.00	417.88
Switzerland	373.00	-	-	-
United Kingdom	179.00	-	-	-
TOTAL	**57 101.32**	**8 314.01**	**8 443.05**	**2 740.1**

Following the Directive (EU) 2019/904 of the European Parliament and of the Council of 5 June 2019 on the reduction of the impact of certain plastic products on the environment, AmRest is working on the reduction of plastic within its restaurants and coffee houses. Under the new rules, single-use plastic plates, cutlery and straws will be banned by 2021. AmRest has planned actions for 2020 to reduce the use of plastic within its brands in Europe.

In addition to the new plastic reduction goals, AmRest has an existing commitment to source 100% of our fiber-based packaging from certified/or recycled sources by the end 2020, which has already been achieved in Poland.

In Poland and Russia there are the Environmental Protection Specialist positions within organization that handle the topics of national requirements regarding environment such as waste management or sustainable use of land and water resources. In 2019 there were three people holding this position.

[17] To minimize its potentially negative impact on the environment and biodiversity, AmRest separates used oil and sells it to biofuel producers. In this category AmRest Holdings SE also discloses information about used oil transferred to external companies for biofuel producing. Used oil is not counted in total waste amount.

EMPLOYEE ISSUES

AmRest Holdings SE draws its success from its unique culture which is strongly rooted in the company's history and focuses on employees as one of its main priorities. AmRest's ambition is to create a safe and friendly workplace that supports diversity and employee growth. Cultural diversity defines AmRest as an international organization and is treated as a source of inspiration. The company fosters a culture of inclusiveness that translates into openness and the recruitment of a diverse workforce.

As of December 31, 2019 AmRest Holdings SE employed 51 804 workers across 23 countries[18].

Table. AmRest Holdings SE employees in total and dismissals by gender

	2018	2019
Employee count	**47 055**[19]	**51 804**
incl. women	25 471[20]	27 495
incl. men	21 584[21]	24 309
Number of dismissals		
Women	1 236	1 137
Men	1 408	1 917

Table. AmRest Holdings SE employees in total and dismissals by work classification

Employee count	**2019**
Employees of restaurants and coffee houses (OPS)	49 393
Restaurant support team (RST)	2 411
Number of dismissals	
OPS	3 012
RST	42

Table. AmRest Holdings SE employees by gender and type of employment contract

	2018	2019
Permanent contract	**31 325**[22]	**34 868**
incl. women	17 308[23]	18 986
incl. men	14 017[24]	15 882
Temporary contract	**15 730**[25]	**16 936**
incl. women	8 163[26]	8 509
incl. men	7 567[27]	8 427

[18] *AmRest operates in 26 markets, but reports employment in 23 countries, as in 22 countries it has its own restaurants (in which staff is employed by company) and the USA, where it does not have restaurants, but has employee. Four of AmRest's markets are markets in which franchise restaurants operate, so the staff is not employed directly by the company.*
[19] *Restated (48 846 reported in 2018)*
[20] *Restated (26 376 reported in 2018)*
[21] *Restated (22 470 reported in 2018)*
[22] *Restated (33 041 reported in 2018)*
[23] *Restated (18 175 reported in 2018)*
[24] *Restated (14 866 reported in 2018)*
[25] *Restated (15 805 reported in 2018)*
[26] *Restated (8 201 reported in 2018)*
[27] *Restated (7 604 reported in 2018)*

Table. Average number of permanent contracts in 2019.[28]

Permanent contract	**32 983.4**
incl. women	18 119.7
incl. men	14 863.7

Table. AmRest Holdings SE employees by gender and type of employment

Full-time employees	**22 798**
incl. women	12 595
incl. men	10 203
Part-time employees	**29 006**
incl. women	15 161
incl. men	13 845

Table. AmRest Holdings SE employees by age and type of employment contract

Permanent contract	**34 868**
<30	23 310
30-50	10 409
>50	1 149
Temporary contract	**16 936**
<30	15 224
30-50	1 464
>50	248

Table. Number of dismissals by age

Number of dismissals	**2019**
<30	2 271
30-50	691
>50	92

Table. AmRest Holdings SE employees by work classification and type of employment contract

Permanent contract	**34 868**
OPS	32 624
RST	2 244
Temporary contract	**16 936**
OPS	16 769
RST	167

Types of employment vary across individual legislations. AmRest complies with local contract and employment laws, also taking into consideration each employee's individual needs and preferences.

Policies

In 2019 AmRest Holdings SE and its employees were bound by the group's **Code of Business Conduct**. The Code of Business Conduct complements AmRest's Core Values. It is a set of rules and standards of ethical behavior which the employees should follow in everyday actions. The Code applies to all employees and coworkers at all levels, including the directors, executives and officers of companies belonging to the AmRest Group in each country where it operates. The aim of the document is to describe behaviors that are

[28] The data has been collected on a quarter basis. Data from Q1-Q3 were collected from all markets except Belgium, Italy, Luxembourg, Netherlands, Spain, Switzerland, United Kingdom (the Sushi Shop employees). In Q4 the employees from all markets have been included.

acceptable and not acceptable at AmRest: a set of norms to apply to the relations with the customers and coworkers, as well as Business Partners, media, local authorities and communities where the group operates.

In 2018 the Board of Directors approved **a revision of the Code of Business Conduct**. New provisions were communicated and implemented in 2019. The document has a global reach.

AmRest also has a global **Diversity Policy** that is aimed at creating a work environment in which each employee feels respected and valued and where they can fully realize their potential, which contributes to the success of the whole organization.

In 2018 the Board of Directors adopted a global **Gender Policy**, which was implemented and communicated in 2019. The policy is a global framework which defines the core standards and sets out the organizational mechanisms to ensure gender equality in AmRest entities worldwide. The provisions of the Policy stem directly from the AmRest Core Values, supplemented by the Code of Business Conduct.

Due to its rapid expansion into new markets and the differences between individual national markets, the company does not have global employment policies. Basic employment matters, including internal organization as well as employee and employer rights and responsibilities are regulated by separate documents adopted by AmRest subsidiaries in accordance with the relevant national laws.

Occupational health and safety is governed by the relevant national laws and not at the organizational level. In Poland every AmRest brand has occupational health and safety procedures and manuals as well as occupational risk assessment schemes. AmRest has prepared attractive training materials to promote occupational safety and an e-learning scheme to prevent workplace injuries.

The organization does not have a standardized, global policy concerning the rights of employees leaving the company nor does it have any common approach to labor disconnection.

Outcomes

Career development at AmRest is based on the **Career Redefined** concept, which means that career paths at the company are not defined in a standardized manner. Each employee gets to define and shape their own career, while the company works to provide them with opportunities to grow: new responsibilities or position, transferal to a different unit, moving from the restaurant to the office (or vice versa) or even abroad.

AmRest uses a unique employee promotion process in which the key role is played by a **Review Board.** Having completed most development processes and programs, the employee meets with the Review Board that verifies their knowledge and readiness to be promoted to a higher level.

AmRest is a rapidly growing organization. For this reason, it places a strong emphasis on training and employee development. The company offers a wide array of internal courses (hard and soft skills) led by qualified instructors. What is more, each manager supports their teams, acting as coaches and mentors.

AmRest executives participate in **AmRest University**, a tailored development program that focuses on strategy, finance, leadership and self-awareness. The courses are led by internal instructors, Board members or recognized international experts. AmRest managers advance their skills by participating in **AmCollege and the Leadership University of AmRest.**

Store-level managers participate in dedicated development programs depending on their position. Store managers are offered training to develop the skills necessary to effectively manage people and restaurants, including food safety, human resource management, customer service, product marketing, promotion and sales.

Restaurant workers are given job training that includes a customer-focused approach and suggestive selling. Employees not covered by the above-mentioned development programs are offered other training opportunities.

In 2019 AmRest ran **Spread Your Wings**, a global development program whose main goal was to identify employees with leadership talents and abilities within the organization and facilitate their growth. In this way, the organization develops the world-class leaders it needs in the context of its dynamic global growth.

Job Performance Appraisal is a formal method of evaluating employee performance in a given period. Based on their evaluation, the employee may qualify for the Spread Your Wings program or an annual bonus. The process involves employee self-evaluation and a performance review by a superior. The scheme applies to store managers as well as office workers in all the countries where AmRest operates. In 2019, thanks to the implementation of new software, the process was standardized across all AmRest markets.

Table. Selected development program outcomes at AmRest in 2019[29]

Review Boards convened incl. employees who passed the Review Board	1 726 1 416
Employees evaluated as part of the Job Performance Appraisal	8 208
Employees who participated in Spread Your Wings	2 075

The total number of training hours of new employees globally is **1 313 113 for OPS** and **3 832 for RST**.

AmSpace is an integrated human resources management system and a crucial HR tool in an organization of AmRest's scale. The platform has two modules:

1. internal promotion (training and individual development plans)
2. succession planning (short and long-term employee development).

Currently, AmSpace has nearly 40 000 active users. Most importantly, it is available to users in their native languages.

Functionalities available in AmSpace:

- User profile
- Knowledge base: a library and search engine to find AmRest employees and materials
- E-courses
- Surveys/opinion polls
- FUN Index – a platform to measure employee experience, analyse the results and create action plans
- Personal development (including the possibility of creating an Individual Development Plan)
- Performance management (monthly priorities, annual goals, employee assessment)
- AmNet – internal communications.

AmRest uses a flexible working time system. The company favors the task-based system. Restaurants employees can influence their work schedules, which makes it easier for them to maintain work-life balance.

Actions aimed at facilitating conciliation and encouraging the co-responsible exercise of this by both parents in Spain:

a. Sharing internal information channels to ensure that employees are informed of the legal possibilities of conciliation

- Monitoring of the equality plan established in the company
- Ensuring options such as the adaptation of the working timetable instead of reducing the working day in order to avoid changes in salaries.

b. Discussions with unions to find new initiatives on a regular basis

Table. Total number of AmRest Holdings employees by country[30]

Country	2018	2019
Austria	15	**39**
Belgium	204	**290**
Bulgaria	325	**442**
China	2 354	**2 275**

[29] *AmRest offers a multitude of global training programs as well as different training courses within individual markets. For this reason, it is impossible to calculate the number of total training hours or training hours per employee of RST in a given period. AmRest works to ensure that its employees across different organizational units and levels have access to appropriate training and development programs.*

[30] *AmRest operates in 26 markets, but reports employment in 23 countries, i.e. in 22 countries it has its own restaurants (in which staff is employed by the company) and the USA, where it does not have restaurants, but has employee. Four of AmRest's markets are markets in which franchise restaurants operate, so the staff is not employed directly by the company.*

Country	2018	2019
Croatia	202	**214**
Czech Republic	6 745	**7 626**
France	5 213[31]	**5 145**
Germany	3 072	**3 363**
Hungary	1 824	**1 997**
Italy	23	**19**
Luxembourg	86	**88**
Netherlands	-	**9**
Poland	15 095	**16 785**
Portugal	55	**84**
Romania	590	**749**
Russia	6 597	**7 436**
Serbia	242	**315**
Slovakia	81	**260**
Slovenia	19	**16**
Spain	4 175	**4 430**
Switzerland	181	**152**
United Kingdom	88	**69**
USA	3	**1**
TOTAL	47 055[32]	**51 804**

Table. Average annual salary by gender, positioning within organization and segments[33] (China, Western Europe, Russia, Central Europe) in EUR, in 2019.[34] Total salary pay gap between men and women by position within the organization.

		thousand EUR		thousand EUR		GAP[35]
		2018		2019		
	Level	Men	Women	Men	Women	
China	L1	6.1	5.7	**6.7**	**6.6**	-1%
	L2	11.9	10.7	**14.1**	**13.0**	-8%
	L3	15.8	14.9	**17.9**	**17.1**	-4%
	L4	25.2	24.0	**28.2**	**28.5**	+1%
	L5	40.4	46.1	**60.1**	**61.9**	+3%
	L6	-	-	**-**	**110.1**	n.a.

[31] *Restated (6 870 reported in 2018).*
[32] *Restated (48 846 reported in 2018).*
[33] *The segments are defined in note number 6 of Annual Accounts.*
[34] *Due to data protection and confidentiality, AmRest Holdings SE does not disclose information about remuneration in some countries as there are two or less persons employed on a given level.*
[35] *1-(Average annual salary of employed women/average annual salary of employed men).*

	Level	thousand EUR 2018 Men	thousand EUR 2018 Women	thousand EUR 2019 Men	thousand EUR 2019 Women	GAP[35]
Western Europe	L1	15.7	15.9	**10.5**	**10.3**	-2%
	L2	21.6	22.2	**22.1**	**22.5**	+2%
	L3	24.4	26.1	**27.7**	**26.7**	-4%
	L4	36.3	33.8	**34.4**	**33.2**	-4%
	L5	59.9	63.3	**52.6**	**52.6**	0%
	L6	106.3	101.7	**87.6**	**97.7**	+12%
Russia	L1	3.6	3.6	**4.1**	**4.3**	+5%
	L2	5.4	5.2	**6.0**	**6.0**	0%
	L3	7.9	6.9	**8.4**	**8.0**	-5%
	L4	10.9	9.1	**14.0**	**13.0**	-7%
	L5	22.4	23.0	**27.0**	**27.0**	0%
	L6	-	-	**47.0**	**70.0**	+49%
Central Europe	L1	7.5	7.4	**7.3**	**7.3**	+1%
	L2	9.7	9.4	**9.7**	**9.5**	-3%
	L3	13.2	12.4	**13.0**	**12.4**	-5%
	L4	19.2	17.7	**18.9**	**17.1**	-9%
	L5	36.9	35.5	**37.2**	**35.8**	-4%
	L6	71.3	64.9	**72.1**	**63.4**	-12%
Group Pay Gap						-1%[36]

Table. Total average annual salary by age in EUR in 2019.

	thousand EUR
<30	11.1
30-50	20.8
>50	34.0

The Board of Directors compositions as well as the breakdown of the remunerations is set forth in the table below:

Table. Total annual remuneration of Board of Directors, including variable remuneration, allowances, compensation in 2019.

Name	Period	Type	thousand EUR FY 2018	thousand EUR FY 2019
José Parés Gutiérrez	From 01/01/2019 to 31/12/2019	Proprietary Director, Chairman of the Board	75	75
Luis Miguel Álvarez Pérez	From 01/01/2019 to 31/12/2019	Proprietary Director, Vice-Chairman of the Board	75	75

[36] *In total women earn 1% less than men.*

Name	Period	Type	thousand EUR	
			FY 2018	FY 2019
Carlos Fernández González	From 01/01/2019 to 31/12/2019	Proprietary Director	75	75
Henry Joseph McGovern	From 01/01/2019 to 14/05/2019	Executive Director	1 364	16 143
Steven Kent Winegar Clark	From 01/01/2019 to 14/05/2019	Proprietary Director	84	28
Pablo Castilla Reparaz	From 01/01/2019 to 31/12/2019	Independent Director	100	100
Mustafa Ogretici	From 01/01/2019 to 31/12/2019	Independent Director	100	100
Romana Sadurska	From 14/05/2019 to 31/12/2019	Independent Director	-	60
Emilio Fulluaondo Botella	From 14/05/2019 to 31/12/2019	Independent Director	-	60
		Total	**1 872**	**16 716**

The 2018-2021 Directors Remuneration Policy sets the following fixed components:

- Board member: 75 thousand euros per annum per director.
- Independent director and member of the Executive Committee or any of the advisory committees: 25 thousand euros additional euros per independent director.

Directors Remuneration Policy was approved at the general shareholders' meeting held on 6 June 2018 and will remain in force until 2021 unless the general shareholders' meeting so resolves to amend or replace it. According to the policy, Executive directors may receive additional remuneration for performing executive functions. In 2019, Mr. McGovern being the only executive director was entitled to a variable cash remuneration.

In addition, he also received a cash amount after the exercise of his share options granted under the MIP and SOP programs which were granted to him in his capacity as first executive of the Company, previous to and independent from his status as Board member. Total remuneration for 2019 and 2018 considers share based schemes in the amount of EUR 15 460k and EUR 836k consequently.

Table. Total annual remuneration of Managers, including variable remuneration, allowances, compensation.

	thousand EUR	
	FY 2019	FY2018
Total Remuneration	**10 476**	**2 151**
Fixed	2 173	1 545
Variable	543	387
Share based remuneration schemes	7 760	219
Other	-	-
Allowances	-	-

Managers should be understood as group of person discharging managerial responsibilities (senior management staff who are not executive directors). Average remuneration (fixed and variable part but excluding remuneration resulting from share based schemes) of Managers by gender in 2019 was as follows: women EUR 299k and man men EUR 314 k. Share based remuneration schemes are long-term incentive plans with life of options up to 10 years, with dates and amounts of exercise depending solely on the Employee decision, after fulfilling vesting conditions. Due to their non-recurring and long-term characteristics, calculation of average annual amount of share option plans would be misleading.

In the group there are neither long-term saving systems nor life insurance premiums.

Table. Indicator of diversity

	Number of employees	Percentage of all employees
Disability	**1 071**	**2%**

Table. AmRest Holdings employees covered by collective bargaining agreements[37]

Country	Number of employees
France	3 164
Germany	3 068
Portugal	84
Spain	4 700
Switzerland	152
TOTAL	**11 168**

Table. Information about occupational health and safety in AmRest Holdings in 2019.

Work-related injuries	men	**366**
	women	**366**
Injury rate for employees[38]	men	**16.59**
	women	**14.68**
Work-related fatalities	men	**0**
	women	**0**
Absenteeism among employees[39]	men	**172 575**
	women	**387 119**
Type of injuries	broken hands and legs; bone fractures; dislocations or sprains or tears; hot water, steam or chemical burns; internal injures	

SOCIAL ISSUES

As a socially involved company, AmRest cares about its impact on neighborhoods and local communities.

An extremely important value for the company is the appreciation of diversity and AmRest undertakes initiatives dedicated to local communities that respond to their needs and are adapted to the local environment. AmRest's ambition is to positively influence the environment, share its success and constantly inspire others to act.

The social engagement of AmRest Holdings SE is governed by the **Responsible Business and Sustainable Development Strategy of AmRest for 2015-2020 (CSR Strategy)**, which identifies local communities as one of its focus areas.

Selected strategic goals:

- AmRest is perceived as a socially responsible business that helps solve important social issues **in its surrounding environment**.

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[37] *Collective bargaining agreements do not work in other countries of employment.*
[38] *Number of accidents / number of employees by gender * 1000. Based on data from 13 markets, representing 90% of employment.*
[39] *This includes absence from work because of incapacity of any kind, not just as the result of work-related injury or disease. Permitted leave absence such as holidays, study, maternity or paternity leave, and compassionate leave are excluded. The data is reported in days.*

- AmRest supports its employees' engagement in **local initiatives,** and inspires action by providing its employees with the right tools to give back to and support external community service projects.

AmRest and its employees' approach to their social environment is regulated in the **Code of Business Conduct,** which obliges AmRest workers to be responsible members of their local communities. They are also encouraged to act for the benefit of others and support charity initiatives and educational projects.

In 2019 AmRest Holdings SE spent EUR 176 600 on social causes.

Table. Expenditure on community service projects by country

Amount of money spent on social projects		**thousand EUR**
	2018	**2019**
Poland	57.4	64.6
Germany	49.5	27.1
Russia	3.8	4.7
Hungary	3.4	1.5
China	-	43.6
Czech Republic	6.3	26.0
Spain	1.0	9.1
TOTAL	**121.4**	**176.6**

Additional, KFC in Russia conducted two fund-raising actions during which the brand collected additional EUR 104 307 which was transferred directly to the Opening Horizons Foundation.

Community service projects carried out in 2019 in Poland:

Burger King in Poland cooperated with one of the biggest non-profit organization, Wielka Orkiestra Świątecznej Pomocy (The Great Orchestra of Christmas Charity). The foundation supports pediatric and geriatric wards by supplying them with vital medical equipment. Once a year thousands of volunteers participate in the fund-raising, collecting money from around the world. Burger King became an official partner, offering a free Whooper Jr for every WOŚP (GOCC) volunteer in Poland.

KFC in Poland participated in the DKMS foundation campaign to fight blood cancer. The stem cell donor registration day was held in KFC restaurants in Wroclaw, Poland in the middle of May.

Pizza Hut sponsored over 300 pizzas for participants of the Polish edition of Destination Imagination, the biggest educational program in the World, aimed at developing creativity and skills needed in the XXI century.

AmRest, as a strategic partner, continued to support SIEMACHA Spot Wroclaw, an educational space for children, where they can develop their passions and gain new experiences. The company organized culinary workshops and special events like KFC Olympic Games or Pizza Day.

AmRest is determined to work to reduce food waste. In 2019 a few of AmRest's brands were involved in two global schemes: **Harvest** and **Too Good To Go**.

HARVEST
NO WASTE. NO HUNGER.

AmRest launched **Harvest** in 2016. It is a scheme for donating surplus food from restaurants to institutions and organizations that support those in need. In 2019 Harvest operated across KFC restaurants in Poland, Hungary, Serbia, Bulgaria and Spain and in Pizza Hut restaurants in Poland. AmRest also donates the surpluses from its warehouses in Poland. Overall, Harvest donations in 2019 exceeded 190 thousand kilograms of food worth over EUR 1.1 million in total. In the beginning of 2020 Burger King in Poland joined the scheme.

Table. Harvest: key figures (2019)

	KFC	Pizza Hut	Warehouses	Total
Amount of food donated (kg)	**180 272**	**1 971**	**7 777**	**190 020**
Value of food donated (thousand euro)	1 095	12	20	1 127
No. of participating stores	289	16	-	305
No. of participating markets	5	1	1	-

Table. Harvest by country and brand

HARVEST at AmRest	No. of participating KFC restaurants	No. of participating Pizza Hut restaurants
Poland	**210**	**16**
Spain	19	-
Hungary	46	-
Bulgaria	4	-
Serbia	10	-
TOTAL	**289**	**16**

Too Good To Go is another important project aimed at reducing food waste in the food service industry. The scheme is web-driven, with an app informing users at the end of the working day where they can buy surplus food at a significantly reduced rate. The user can track restaurants participating in the scheme. The discounts reach up to 50% off the regular price. In this way, instead of throwing food away, Sushi Shop sells it via the app. In 2019 the scheme covered 102 Sushi Shop restaurants across 6 countries (France, Belgium, the UK, Germany, Spain, Italy). In 2019 33 Starbucks coffee houses and 16 Pizza Hut restaurants in Poland joined the scheme. The program was also implemented in 7 Starbucks coffee houses in Germany.

Table. Too Good To Go in Europe: key figures

	Sushi Shop	Pizza Hut	Starbucks
No. of meals saved	140 443	2 435	6 500
No. of stores	102	16	40
No. of markets	6	1	2
Tonnes of less CO_2	351	6.1	16.33

Employees engagement

In 2019 as many as 2 118 AmRest workers participated in 373 employee volunteering projects benefiting 34 572 people across Poland, Germany, Russia, Hungary, China, the Czech Republic and Spain. The amount of money spent on non-profit entities was EUR 278 181.

AmRest implemented exactly 12 grant projects as part of the employee volunteering scheme in Poland. The "AmRest Volunteers" program, founded in 2015, is the biggest voluntary initiative in Poland. The program is open to employees of all levels and the rules are very simple: a group of three with an idea for helping, have to fill in the formula estimating the budget, make a plan for support and share ideas on how to involve the local community. In 2019 AmRest Volunteers supported the youth, elderly and the environment.

Table. The employee volunteering scheme in selected countries

	Spain	Poland	Germany	Russia	Hungary	Czech	China	Total
No. of volunteering projects carried out	1	20	15	300	4	31	2	**373**
No. of employee volunteers	0	175	150	1 500	50	213	30	**2118**
No. of beneficiaries	300	3 200	800	1 000	200	29 000	72	**34 572**

In 2019 AmRest has launched an innovative program supporting NGOs in Poland.

AmHero allows AmRest employees to donate money via the benefits platform. The company allows the regular transfer of money to a selected organizations in the following categories: health of children, adults treatment, people with disabilities, animals, nature protection, seniors, education, culture, activities for the city, women's rights, action against exclusion. Ten non-governmental organizations selected through the survey conducted among employees qualified to the pilot version launched in 2019. The program is run through a cafeteria system - an online platform that allows employees within a certain limit, depending on the position, to choose from the benefits offered. Funds are transferred through the system operating in Poland. The employee is able to indicate in the given month one organization from the list to which AmRest will transfer funds.

General idea of CSR activities of Starbucks across countries

As a global company rooted in local neighborhoods, Starbucks wants to bring people closer together – no matter what background, education or personal orientation have shaped each and every one of us. Starbucks believes in equality, diversity and mutual respect. The brand’s heritage is of a liberal, socially responsible and open-minded entrepreneur. That’s why Starbucks fosters a culture of opportunities for everyone. A culture of humanity.

Starbucks initiatives across the markets

- Romania

Starbucks on the Romanian market, was involved in renovating the “Barbu Catargiu” Second Elementary School in Maia, Ialomița County, by organizing a day of volunteering on the school building site and covering modernization costs of almost EUR 29 thousands. Nearly 40 Starbucks Romania volunteers took part in school renovation work, for a school that hosts about 200 students, in Maia. Starbucks also donated the amount of EUR 28 thousands to the project, which covers rehabilitation expenses and sponsored 60 schoolbags packed with school supplies for the entire year for girls and boys from the 5-8th grade and 100 schoolbags for the younger students, both girls and boys, from the 1st-4th grade.

- Germany

From November 2019 an additional cup charge of 5 cents for every hot drink ordered in a paper cup was implemented in Starbucks. Starbucks hopes the rollout will encourage even more customers across the country to make the switch to reusable cups. Starbucks donated 100% of the funds raised to the WWF.

- Poland

In May, Starbucks gave away 10 000 reusable cups to their guests for free. In this way, the brand thanked its guests for 10 years spent together. It was also part of the "Bring Your Own Tumbler" campaign, which has been conducted in Poland for 10 years. The campaign promotes pro-ecological practices among Starbucks guests, encouraging them to reduce the consumption of paper cups. As part of the campaign, every guest at Starbucks, who decides to buy any drink in their own mug, receives a discount of PLN 1.

AmRest pays attention to the needs of customers with disabilities. This is reflected in the design of the restaurants, their layout and furnishings. Every new opening is designed in line with the local accessibility regulation. AmRest's general accessibility standards include: dedicated parking spaces for people with disabilities located near the main entrance in the case of freestanding and DT locations, adequate pavement width for convenient access to the restaurant, accessible entrance to the restaurant, wide passages in the dining space, furniture of accessible size and height, accessible toilet of convenient size and fixtures.

In addition, our Starbucks stores are designed in line with Starbucks commitment to social equity and the brand's long-standing policies on global human rights. When thinking about accessibility, AmRest goes beyond wheelchair access: it also makes sure to accommodate the elderly and the hearing and visually impaired.

KEY NON-FINANCIAL FACTORS

1. Capital Markets Day:
    a. AmRest organized the event in Warsaw in October. It was dedicated to institutional investors and analysts. During the meeting AmRest shared its strategy, growth perspectives as well as discussed these topics with participants.
2. New markets openings:
    a. Burger King opened the first restaurant in Romania in September.
    b. Starbucks entered Serbia in April, opening the first coffee house in Belgrade.
    c. Sushi Shop opened the first restaurant in the Netherlands.
3. Digital growth within the company:
    a. Over 1 000 digital kiosks operating in KFC and Burger King restaurants in Poland, Czech Republic and Hungary.
    b. 649 digital menu boards in KFC, Pizza Hut, Burger King and Starbucks across countries.
4. Preparation for establishing AmRest Foundation:
    a. At the end of 2019 the resolution of the Board of Directors was signed regarding the establishment of the corporate foundation of AmRest Holdings SE.

In 2019 AmRest Holdings SE **operated 2 339 restaurants and coffee houses, both equity and franchised in 26 countries:** Poland, the Czech Republic, Hungary, Russia, Romania, Bulgaria, Serbia, Croatia, Slovakia, Austria, Slovenia, Spain, France, Germany, Portugal, China, Armenia, Azerbaijan, Belgium, Italy, Switzerland, Luxembourg, Netherlands, the UK, the UAE, Saudi Arabia.

In 2019 AmRest's restaurants and coffee houses handled ca. 262 500 000 **transactions[40], which is 15% more than in 2018.**

Table. Restaurants operated by AmRest Holdings SE in 2019 by type

Country	Self-owned restaurants	Franchise restaurants	Total
Armenia	0	3	**3**
Austria	2	0	**2**
Azerbaijan	0	2	**2**
Belgium	5	6	**11**
Bulgaria	24	0	**24**
China	70	4	**74**
Croatia	8	0	**8**
Czech Republic	191	0	**191**
France	177	145	**322**
Germany	184	98	**282**

[40] *Does not include Sushi Shop Group.*

Country	Self-owned restaurants	Franchise restaurants	Total
Hungary	130	0	**130**
Italy	1	2	**3**
Luxembourg	2	0	**2**
Netherlands	1	0	**1**
Poland	559	0	**559**
Portugal	2	3	**5**
Romania	54	0	**54**
Russia	241	30	**271**
Saudi Arabia	0	3	**3**
Serbia	12	0	**12**
Slovakia	13	0	**13**
Slovenia	1	0	**1**
Spain	172	172	**344**
Switzerland	7	0	**7**
UAE	0	10	**10**
UK	5	0	**5**
Total restaurant count:	**1 861**	**478**	**2 339**

Taxes

AmRest believes that it has the obligation to pay legally due taxes in any territory where it operates in accordance with the existing legal provisions. AmRest follows the relevant rules when determining the amount of its tax liabilities, submitting tax returns, paying taxes and disclosing information to tax authorities.

In order to ensure its compliance with existing tax laws, regulations and principles, AmRest has put in place effective control mechanisms. AmRest's tax professionals monitor the tax situation of the group and any changes in tax laws and practices which may impact the business and its growth. AmRest makes significant investments in people, material resources and technology to ensure that this tax strategy is applied throughout the organization.

Some countries in the tables below have reported a zero tax as a result of settling losses from previous years.

Table. Profits earned by country

Country	Profit/(loss) before tax	thousand EUR
Austria		(1 150.8)
Belgium		(657.3)
Bulgaria		574.0
China		5 026.8
Croatia		(536.0)
Czech Republic		23 501.2
France		(15.8)
Germany		(18 139.1)
Hungary		11 191.8

Country	Profit/(loss) before tax	thousand EUR
Italy		230.0
Luxembourg		394.8
Malta		(82.5)
Netherlands		(508.4)
Poland		25 516.5
Portugal		(108.2)
Romania		3273.7
Russia		4 940.0
Saudi Arabia		177.8
Serbia		(66.6)
Slovakia		(535.4)
Slovenia		(134.4)
Spain		81 692.6
Switzerland		1 747.1
UAE		659.9
UK		(780.5)
USA		(4 791.8)

The above data were derived from input data received from subsidiaries for the purpose of preparation of consolidated financial statements before any consolidation eliminations and adjustments.

Table. Income taxes paid (unearned)

Country	Income taxes paid (unearned)	thousand EUR
Austria		1.00
China		452.00
Czech Republic		2 744.00
France		3 519.00
Germany		4.00
Hungary		2 426.00
Poland		2 704.00
Portugal		5.00
Russia		1 451.00
Slovakia		26.00
Spain		9 453.00

The above data differ to income tax line in the consolidated income statement. Income tax line in consolidated financial statements includes both effect of current income taxes that may be paid or payable as well as deferred taxes accounted during the year. The above data also differ from income tax paid balance as presented in consolidated statements of cash flows, where only cash flows related to income taxes are disclosed.

Table. The public subsidies received in 2019 by country

Country	The public subsidies received	thousand EUR
Bulgaria	EU grants for youth employment	10.8
Spain	Patent Box 2018	774.1

RISK MANAGEMENT AND NON-FINANCIAL RISKS

The AmRest Holdings SE identifies financial and non-financial risks and manages them in its companies and at Group level. The risk management system, the internal control system and the review of effectiveness of such systems is supervised by managers responsible for the functions, AmRest Management Team (AmRest Top Management) and ultimately by the Board of Directors of AmRest Holdings SE (AmRest Board of Directors).

The AmRest Top Management performed a review, analysis and classification of risks to which AmRest is exposed.

The Global Internal Audit Department (reporting directly to the Audit and Control Committee of the AmRest Board of Directors) supports managers (who are responsible for these functions), AmRest Management Team and AmRest Board of Directors in risk management by:

- identifying risks and opportunities and recommending solutions;
- monitoring, verifying and reporting to the AmRest Board of Directors the implementation status declared by the Management action plans addressing identified risks and opportunities;
- up-dating the AmRest Risk Map.

AmRest developed a model to systematize the approach to risk: identification, evaluation and mitigation. One of the elements of the model is the Risk Map, which contains risks arising from the specific nature of AmRest activities. These risks are broken down into strategic, financial, operational and compliance risks and are periodically evaluated by AmRest Management.

In 2019 the Group conducted the update of the Risk Map. The AmRest Management Team along with representatives from IT, Brand Reputation, Finances, Supply Chain and Operations evaluated the document and included additional new risks, for e.g. environmental risks, which is the next step in the process of creating an environmental policy for AmRest Holdings.

The Risk Map is one of the information sources for the process of creating the annual and long-term Audit Plan. AmRest analyses the risks and improves its risk management systems and the internal control systems on an ongoing basis.

Below we present the risks that may have a considerable adverse effect on the operating areas of AmRest related to materiality topics, as well as corruption prevention and respect for human rights.

Table. Risks that may have a considerable adverse effect on operating areas of AmRest related to human resources and social and environmental issues, as well as corruption prevention and respect for human rights.

Issues: S - social, HR - human resources, E - environmental, PHR - protection of human rights, CP - corruption prevention

Risk	Possible considerable adverse effect on the issues:				
	S	HR	E	PHR	CP
Risk that the Company will be negatively perceived by public opinion due to improper care of social / public interests.	✓				
Risk that the response of the Company to ecological trends will not be consistent with strategic goals or will harm its competitive advantage (e.g. significantly increase costs). Risk that the insufficient response to trends or its communication will damage the reputation of the Company and decrease its sales.	✓		✓		

Risk	Possible considerable adverse effect on the issues:				
	S	HR	E	PHR	CP
Risk that the Company and its suppliers fail to meet environmental norms and standards.	✓		✓		
Risk related to consumption of foods: risk of an accident, food poisoning or other event that results in customer liability	✓	✓	✓		
Risk that regulations, processes, training systems and information flow functioning in the Company will not be adequate to ensure compliance with the regulations regarding environmental protection.	✓	✓	✓		
Risk that brand image will be harmed by internal or external events. Risk that brand name will be used by third party to the detriment of the Company.	✓				
Risk related to improper implementation and execution of anti-corruption procedures including lack of ensuring the protection of "whistle-blowers".	✓	✓		✓	✓
Risk related to keeping the employees in key positions	✓	✓		✓	
Risk related to labour costs associated with employees and employment and retention of professional staff	✓	✓		✓	
Risk of financial penalties for incorrect calculation of PIT, social insurance and other employee benefits resulting from an employee's error or a system error or due to differences in interpretation of laws in this regard.		✓			
Risk of breaking the law or other regulations by conducting improper business practices.	✓	✓	✓	✓	✓
Risk of an accident on the job that jeopardizes health and safety, causes property damage, environmental pollution or deterioration of the company's reputation or other negative consequences.	✓	✓	✓		
Risk of lack of support for ethical rules by Top Management and non-ethical behaviour of employees.	✓	✓	✓	✓	✓
Social and environmental risks (CSR viewpoint). Having implemented the Code of Business Conduct and the CSR Strategy, AmRest prevents, among others, the following risks: ▪ negative perception of the company by the public in connection with undue care paid by AmRest to social/public interests; ▪ lack of awareness and sensitivity of managers with regard to the ethics and rules of responsible business; ▪ major negative impact of the company's operations on the environment; ▪ inadequate response to environmental trends; ▪ damage to AmRest's reputation caused by AmRest cooperation with unethical suppliers of low reputation; ▪ the lack of public knowledge of AmRest involvement in the implementation of goals in the area of ethics and responsible business - unethical practices by AmRest and AmRest employees	✓	✓	✓	✓	✓

The approach to risk management in 2019:

In 2019 there were no situations related to AmRest operations in any of the markets which had a negative impact on the company or a brand image and reputation.

In a few potential crisis situations that happened during the year, the AmRest Global Crisis Management Procedure was applied effectively to solve the problem.

The Global Crisis Management Procedure which provides the framework for addressing crisis or potential crisis in AmRest was created in 2015 and since then has been gradually introduced across AmRest markets starting with the key CEE countries: Poland, the Czech Republic, Hungary, Romania and Bulgaria. With the acquisition of the Starbucks business in Germany, the policy was subsequently launched to the Starbucks leaders and operations staff in the market in 2017. This was further reinforced in 2018 by conducting a dedicated training session for the German management team comprising of the leaders of all brands operated by AmRest: Starbucks, Pizza Hut and KFC in the market and representatives of the key functions such as HR, legal and communications. A classroom training on the roles and responsibilities in the crisis management process of Area Coaches and General Managers of Pizza Hut and KFC in Germany was also run at the end of 2018.

In the same year AmRest re-launched the crisis escalation protocol across all markets via a distribution and posting on the premises of a dedicated sticker with relevant instructions for the store staff. To support the General Managers and Area Coaches in handling local incidents and issues, a related manual was created in 2018 in cooperation with the Customer Care team.

The ownership of the Global Crisis Management Procedure remains with the AmRest Brand Reputation (formerly PR) Director who is a member of the Core Crisis Team consisting also of the Chief Operations Officer, Brand Presidents and the heads of Legal and HR functions.

Implementation of the AmRest Global Crisis Management Procedure - key actions taken in 2019:

- Review and update of the Procedure by the Executive Team, Brand Presidents and Heads of key functions in the organization
- Revision and adaptation of the Crisis Escalation Protocol to align it with the new operational structure – a single Market Crisis Leader was replaced with multiple leaders per brand.
- Crisis College for Pizza Hut in Poland conducted together with Yum!
- E-learning course on crisis management for operations staff – General Managers and Area Coaches/District Managers across AmRest brands – was developed and launched in 5 countries
- A survey checking the awareness and effectiveness of the Crisis Management Process was conducted in 15 countries
- Stress test conducted in three markets.

ANTI-CORRUPTION POLICY

AmRest wants its activities to be based on the highest ethical standards. That is why the group compiled its values and principles into a globally binding document. The **Code of Business Conduct** is a guide to AmRest's obligatory rules that the employees have to follow. The Code covers such subjects as: relations with the customers and business partners, mutual relations in the workplace or gift policy. Under the new provisions, every gift whose value exceeds EUR 100 must be reported to a superior.

In 2018, the Board of Directors approved other global policies and documents regulating the prevention of corruption, bribery and money laundering, as well as a whistleblowing policy for the whole organization. The policies and procedures adopted at the end of 2018 were communicated and implemented at the start of 2019.

The most important of these are: a revised Code of Conduct; The Conflicts of Interest Policy; The Crime Prevention, Anti-bribery and Anti-corruption Policy; The Risk Management Policy; The Whistleblowing Policy and The Regulatory Compliance Policy.

At AmRest, open communication is a vital element that delivers valuable insight and helps the company enhance and protect its employees and business. The Speak Openly program delivers on that mission by allowing employees at all levels to voice concerns, raise issues and provide feedback in a safe environment. It is based on an alternative two-way communication process that enables AmRest employees to address any issue that is important to them.

In 2019 AmRest workers could report any wrongdoing, including cases of potential corruption, by:

1. informing their superior,
2. informing the HR Department or the Internal Audit and Internal Control Department,
3. using Speak Openly, a system for reporting any wrongdoing spotted, including cases of potential corruption, either anonymously or openly (Poland, the Czech Republic, Hungary).

In 2019 there was one case of employee misconduct.

HUMAN RIGHTS POLICIES

Human rights issues in the workplace are covered by the group's **Code of Business Conduct** and **Diversity Policy**, both of which were binding for all AmRest employees in 2019.

At the end of 2018 the Board of Directors adopted a set of global documents defining and regulating human rights issues at AmRest:

- **a revised Code of Business Conduct** introducing a zero tolerance policy regarding any behavior associated with harassment, bullying or violence in the workplace, while prescribing equality at all stages of recruitment and employment
- **The CSR Policy** defining respect for human rights as the foundation of ethical and responsible business
- **The Crime Prevention, Anti-bribery and Anti-corruption Policy** defining and prohibiting human trafficking, discrimination against foreigners, child prostitution, sexual harassment, corruption and violations of basic human rights and freedoms defined in the Constitution
- **Gender Policy,** a global framework which defines the core standards and sets out the organizational mechanisms to ensure gender equality in AmRest entities worldwide; the provisions of the Policy stem directly from AmRest Core Values, supplemented by the Code of Business Conduct
- **Whistleblowing Policy** indicating ways of reporting wrongdoing in the organization, including cases of potential human rights abuses
- **Regulatory Compliance Policy** identifying the mechanisms and procedures aimed at preventing and dealing with cases of unethical behavior, illegal practices or legal breaches.

The documents were implemented into the organization in 2019.

The main changes in The Code of Business Conduct concern the By-laws of the Ethics Committee, whose goal it is to promote the company's culture and Core Values. The Committee members are appointed by the CPO (Chief People Officer), who is also its chair. The Committee must consist of at least 5 members, including:

- the Chief People Officer,
- a representative of the Internal Audit Department,
- a representative of the Legal Department,
- a representative of the Employee Relations Department,
- a representative of the Brand Reputation Department,
- a representative of each country/region Country Leadership Team (CLT).

In 2019 AmRest employees could report any wrongdoing via:

- direct contact with local Compliance department representatives
- direct contact with Country Leadership Teams or Ethics Committee representatives
- email
- phone
- online service Speak Openly (for countries: Bulgaria, the Czech Republic, Poland and Romania).

During the reporting period there were 134 incidents reported. The Group plans to implement in 2020 a new online tool which will be available to every AmRest employee on a global level.

As an international franchise, AmRest places diversity at the centre of its corporate culture. Since 2018 AmRest is a signed **Diversity Charter in Poland**. Supported by the European Commission, the EU Platform of Diversity Charter is an international initiative whose aim is to promote diversity and equal opportunities in the workplace. Signatories commit to ban discrimination in their organization's workplace, work to achieve diversity and inclusiveness, and encourage its employees, business partners and stakeholders to follow suit. Signing a charter is a step towards advancing social cohesion and equality. In Poland the signatory process is coordinated by the Responsible Business Forum.

In 2019 there were **no confirmed discrimination instances neither violation of human rights** at AmRest Holdings SE.

GRI STANDARDS CONTENT INDEX

Non-financial Information Report. Contents index of the Law 11/2018 General information		GRI reporting criteria	Pages
Business model	Brief description of the group's business model	GRI 102-2 GRI 102-7	41
	Geographical presence	GRI 102-3 GRI 102-4 GRI 102-6	42
	Objectives and strategies of the organization	GRI 102-14	43
	Main factors and trends that may affect future evolution	GRI 102-14 GRI 102-15	43
General	Reporting framework	GRI 102-54	41
Management approach	Description of the applicable policies	GRI 103-2	49-50, 61, 75-76
	The results of these policies	GRI 103-2	49-50, 62, 75-76
	The main risks related to these issues involving the activities of the group	GRI 102-15	73-74
Environmental questions			
Environmental management	Current and predictable impacts of the company's activities on the environment and, if applicable, on health and safety.	GRI 102-15	53-54, 57
	Environmental assessment or certification procedures	GRI 103-2	54
	Resources dedicated to the prevention of environmental risks	GRI 103-2	59
	Application of the precautionary principle	GRI 102-11	53
	Amount of provisions and guarantees for environmental risks	GRI 103-2	58
Contamination	Measures to prevent, reduce or repair air pollution emissions (including noise and light pollution)	GRI 102-46	56
Circular economy and waste prevention and management	Prevention, recycling, reuse, other forms of recovery and types of waste disposal	GRI 103-2 GRI 306-2	58
	Actions to combat food waste	GRI 103-2 GRI 306-2	54, 67-68
Sustainable use of resources	Water consumption and water supply according to local constraints	GRI 303-5 (2018 GRI version)	56-57
	Use of raw materials and measures taken to improve the efficiency of their utilization	GRI 102-46	54
	Energy use, direct and indirect	GRI 302-1	54-55
	Measures taken to improve energy efficiency	GRI 103-2 GRI 302-4	53
	Use of renewable energies	GRI 302-1	53
Climate change	The important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	GRI 305-1 GRI 305-2 GRI 305-3	56
	Measures taken to adapt to the consequences of climate change	GRI 103-2	53, 56
	Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and measures implemented for that purpose	GRI 305-4 GRI 305-5	53
Protection of biodiversity	Measures taken to protect or restore biodiversity	GRI 102-46	57
	Impacts caused by activities or operations in protected areas	GRI 102-46	n.a.

Non-financial Information Report. Contents index of the Law 11/2018			
Social and personnel questions			
Employees	Total number and distribution of employees according to country, gender, age, country and professional classification	GRI 102-8 GRI 405-1	59-61
	Total number and distribution of work contract modalities	GRI 102-8	60
	Annual average of work contract modalities (permanent, temporary and part-time) by sex, age, and professional classification	GRI 102-9	60
	Number of dismissals by sex, age, and professional classification	GRI 103-2	60-61
	Salary gap	GRI 103-2 GRI 405-2	63-64
	The average remunerations and their evolution disaggregated by sex, age, and professional classification or equal value	GRI 103-2 GRI 405-2	64-65
	The average remuneration of directors and executives, including variable remuneration, allowances, compensation, payment to long-term forecast savings and any other perception broken down by gender	GRI 103-2 GRI 405-2	65
	Implementation of employment termination policies	GRI 103-2	61
	Employees with disabilities	GRI 405-1	66
Work organization	Work schedule organization	GRI 103-1	63
	Number of hours of absenteeism	GRI 403-9 (2018 GRI version)	66
	Measures aimed to facilitate the conciliation while encouraging the co-responsible performance by both parents	GRI 401-2	63
Health and safety	Work health and safety conditions	GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-7 (2018 GRI version)	66
	Work accidents, in particular their frequency and severity, disaggregated by gender	GRI 403-9 GRI 403-10 (2018 GRI version)	66
	Occupational diseases, disaggregated by gender	GRI 403-9 GRI 403-10 (2018 GRI version)	66
Social relationships	Organization of social dialog, including procedures to inform and consult staff and negotiate with them	GRI 103-1	61
	Percentage of employees covered by collective agreement by country	GRI 102-40	66
	The balance of collective agreements, particularly in the field of health and safety at work	GRI 403-3	66
Training	Policies implemented for training activities	GRI 103-2 GRI 404-2	62
	The total amount of training hours by professional category	GRI 404-1	62
Universal accessibility for people with disabilities	Universal accessibility for people with disabilities	GRI 103-2	66
Equality	Measures taken to promote equal treatment and opportunities between women and men	GRI 103-2	61, 77
	Equality plans (Section III of Organic Law 3/2007, of March 22, for effective equality of women and men)	GRI 103-2	-
	Measures adopted to promote employment, protocols against sexual and gender-based harassment, integration, and the universal accessibility of people with disabilities	GRI 103-3	77
	Policy against any type of discrimination and, where appropriate, diversity management	GRI 103-4	77

Non-financial Information Report. Contents index of the Law 11/2018			
Information about the Respect for human rights			
Human rights	Application of due diligence procedures in the field of human rights; prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage, and repair possible abuses committed	GRI 102-16 GRI 102-17 GRI 412-1	77
	Claims regarding cases of human rights violations	GRI 103-2 GRI 406-1	77
	Promotion and compliance with the provisions contained in the related fundamental Conventions of the International Labor Organization with respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labor; and the effective abolition of child labor	GRI 103-2 GRI 406-1 GRI 407-1 GRI 408-1 GRI 409-1	77
Information about anti-bribery and anti-corruption measures			
Corruption and bribery	Measures adopted to prevent corruption and bribery	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2	75
	Measures adopted to fight against anti-money laundering	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2	75
	Contributions to foundations and non-profit-making bodies	GRI 102-13 GRI 201-1	46, 67
Information about the society			
Commitment by the company to sustainable development	Impact of the company's activities on employment and local development	GRI 103-2 GRI 203-2	67-70
	The impact of company activity on local populations and on the territory	GRI 413-1 GRI 413-2	67-70
	The relationships maintained with representatives of the local communities and the modalities of dialog with these	GRI 102-43 GRI 413-1	47
	Actions of association or sponsorship	GRI 103-2 GRI 201-1	46, 67
Subcontractors and suppliers	The inclusion of social, gender equality and environmental issues in the purchasing policy	GRI 103-2	50
	Consideration of social and environmental responsibility in relations with suppliers and subcontractors	GRI 102-9 GRI 308-1	50
	Supervision systems and audits, and their results	GRI 102-9 GRI 308-2	50
Consumers	Customer health and safety measures	GRI 103-2	51
	Claims systems, complaints received and their resolution	GRI 103-2 GRI 418-1	52
Tax information	Benefits obtained by country	GRI 201-1	71-72
	Taxes on paid benefits	GRI 201-1	72
	Public subsidies received	GRI 201-4	73

AmRest Holdings SE

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

for the year ended 31 December 2019

Data identify issuer:

Ending date of reference financial year	31/12/2019
Tax Identification Code [C.I.F]	A88063979
Registered name	AmRest Holdings SE
Registered office	Paseo de la Castellana, 163, 10º floor, 28046 Madrid, Spain

A. CAPITAL STRUCTURE

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
15/10/2018	21,955,418.30	219,554,183	219,554,183

Remarks

Please state whether there are different classes of shares with different associated rights:

Yes _ **No X**

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Artal International SCA	4.96	0.000	0.000	0.000	4.96
AVIVA Otwarty Fundusz Emerytalny AVIVA BZWBK SA	3.10	0.000	0.000	0.000	3.10
Nationale-Nederlanden Open Pension Fund	4.51	0.000	0.000	0.000	4.51

Breakdown of the indirect holding

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights

State the most significant shareholder structure changes during the year:

Name of shareholder	Date of transaction	Description of transaction
Malgorzata Ewa McGovern	09/05/2019	Sale of all the shares representing the 10.67% of the share capital, of the controlling shareholder FCapital Dutch, B.V. (Finaccess Group)

A.3 In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Carlos Fernández González	0.000	67.05	0.000	0.000	67.05	0.000	0.000

Total percentage of voting rights held by the Board of Directors	**67.05**

Remarks

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
FERNÁNDEZ GONZÁLEZ, CARLOS	FCAPITAL DUTCH, B.V.	41.31	0.000	41.31	0.000
FERNÁNDEZ GONZÁLEZ, CARLOS	FCAPITAL LUX, S.A.R.L.	25.74	0.000	25.74	0.000

Remarks
Carlos Fernández González owns the majority of the share capital and voting rights in Grupo Far-Luca, S.A. de C.V., which in turn holds a 99% stake in Grupo Finaccess, S.A.P.I. de C.V. The latter owns 99.99% of the capital and voting rights of Finaccess Capital, S.A. de C.V., which controls direct shareholders FCapital Dutch, B.V. (100%) and FCapital Lux S.à.r.l. (100%). Thus, the direct shareholders are controlled by an entity linked to Mr. Carlos Fernández González.

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related Party	Nature of relationship	Brief description

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description

A.6 Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Luis Miguel Álvarez Pérez	FCapital Dutch, B.V.	Grupo Finaccess S.A.P.I. de C.V.	Luis Miguel Álvarez Pérez is a proprietary director of controlling shareholder Grupo Finaccess.
José Parés Gutiérrez	FCapital Dutch, B.V.	Grupo Finaccess S.A.P.I. de C.V.	José Parés is a proprietary director of controlling shareholder Grupo Finaccess.
Carlos Fernández González	FCapital Dutch, B.V.	Grupo Finaccess S.A.P.I. de C.V.	Carlos Fernández González is a proprietary director of controlling shareholder Grupo Finaccess.

A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes__ **No _X_**

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes _ **No X_**

Parties to the concerted action	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes X No _

Name
CARLOS FERNÁNDEZ GONZÁLEZ

Remarks
FCapital Dutch, B.V. and FCapital Lux, S.à.r.l. – direct shareholders of the company – hold jointly 67.05% of the voting rights in the company. Finaccess Capital, S.A. de C.V. controls these direct shareholders, and is in turn owned by Grupo Finaccess, S.A.P.I. de C.V., with the latter owning 99.99% of its share capital and voting rights. Carlos Fernández González owns the majority of the share capital and voting rights in Grupo Far-Luca, S.A. de C.V., which in turn holds a 99% stake in Grupo Finaccess, S.A.P.I. de C.V.

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
724,415	-	0.3299%

(*) through:

Name of direct shareholder	Number of direct shares

Total:	

Explain any significant changes during the year:

Explain significant changes

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The general shareholders' meeting held on 6 June 2018 authorised the company's Board of Directors to buy back treasury shares under the following terms: (i) the acquisition may be executed in the form of a sale and purchase transaction, shares swap, shares distribution or shares in lieu of payment and, in general, via any other lawful acquisition method involving valuable consideration for shares in circulation. Such transaction may be executed once or on several occasions, provided that the acquired shares – added to those already in the company's possession – do not exceed the maximum permitted by law; (ii) the price or exchange value will range between a minimum amounting to their par value and a maximum equivalent to the closing price of the shares on the Continuous Market upon their acquisition; and (iii) the aforementioned authorisation will remain in place for five years as of the following day on which this resolution was adopted. Moreover, the resolution stipulates that the shares acquired under this authorised transaction(s) may be disposed of, used in the successful bidding process of potential corporate deals or applied to the remuneration mechanisms set forth under Article 146.1 a) of the Corporate Enterprises Act.

In addition, a resolution was also passed at the general shareholders' meeting to delegate the authority to the Board of Directors to increase the company's share capital – including the ability to exclude pre-emptive rights (restricted in this instance to 20% of the share capital) – in accordance with the terms of the Corporate Enterprises Act.

A.11 Estimated working capital:

	%
Estimated working capital	19.76

Remarks
The company's working capital amounts to just below 20% once the stakes of shareholders holding at least 3% of the shares, the shares owned by the company's directors closely related to significant shareholders and the treasury stock have been discounted.

A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes _ **No X**

Description of

A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes _ **No X**

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

Explain the measures approved and the terms under which such limitations would cease to apply

A.14 State if the company has issued shares that are not traded on a regulated EU market.

Yes _ **No X**

If so, please list each type of share and the rights and obligations conferred on each.

List each type of

B. GENERAL SHAREHOLDER'S MEETING

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes X No __

	% quorum different from that contained in Article 193 LSC for general matters	**% quorum different from that contained in Article 194 LSC for special resolutions**
Quorum required at 1st call	At least 40% of share capital subscribed with voting rights.	At least 60% of share capital subscribed with voting rights.
Quorum required at 2nd call	N/A	At least 40% of share capital subscribed with voting rights.

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes _ **No X**

Describe how it is different from that contained in the LSC.

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a qualified majority
% established by the company for adoption of resolutions		

Describe the differences

B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

Pursuant to Articles 19 and 20 of AmRest's Articles of Association and Articles 16 and 26 of the Board of Directors Regulation, where an ordinary or extraordinary general shareholders' meeting is arranged to discuss amendments to the Articles of Association, shareholders representing at least 60% of the share capital subscribed with voting rights must be in attendance at the first calling (*primera convocatoria*) for such meeting(s) to be considered valid. At second call (*seguna convocatoria*), at least 40% of the subscribed capital with voting rights is required.

With regard to the adoption of resolutions, the Articles of Association and Board Regulation refer to the terms set forth by law, i.e. resolutions adopted by way of absolute majority where the present or represented capital equals 50% (60% at the first calling). At second call, where shareholders representing less than 50% of the capital subscribed with voting rights are present, resolutions concerning amendments to the Articles of Association may only be validly adopted with a favourable vote of two-thirds of the present or represented capital at the general shareholders' meeting.

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

	Attendance data				
			% distance voting		
Date of General Meeting	% physically present	% present by proxy	Electronic voting	Other	Total
14/05/2019	0.00%	79,26%	0.00%	0.00%	79.26%
Of which, free float	0,00%	12,18%	0,00%	0,00%	12,18%
06/06/2019	0,00%	76,50%	0,00%	8,19%	84,69%
Of which, free float	0,00%	1,20%	0,00%	3,14%	4,34%

Remarks
Given that the company relocated its registered office to Spain in March 2018, it only has been included information relating to the two general shareholders' meetings held since such transfer of domicile.

B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

Yes _ **No X**

Points on agenda not approved	% votes against (*)

(*) If the non-approval of the point is for a reason other than the votes against, this will be explained in the text part and "N/A" will be placed in the "% votes against" column.

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes _ **No X**

Number of shares required to attend General Meetings	
Number of shares required for distance voting	

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes _ **No X**

Explain the decisions that must be subject to the General Shareholders' Meeting, other than those established by law

B.8 State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

The company's website address is www.amrest.eu. Information on corporate governance can be found by clicking on the "Investors" tab and subsequently the "General Meeting of Shareholders" and "Corporate governance" subsections of the menu, among others.

C. COMPANY ADMINISTRATIVE STRUCTURE

C.1 BOARD OF DIRECTORS

C1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	7

C1.2 Please complete the following table on directors:

Name of director	Natural person represen-tative	Director category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board	Date of birth
José Parés Gutiérrez		Proprietary	Chairman	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	August 12, 1970
Luis Miguel Álvarez Pérez		Proprietary	Vice chairman	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	January 31, 1970
Carlos Fernández González		Proprietary	Member	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	September 29, 1966
Romana Sadurska		Independent	Vocal	May 14, 2019	May 14, 2019	Board of Directors' meeting resolution	July 28, 1951
Emilio Fullaondo Botella		Independent	Vocal	May 14, 2019	May 14, 2019	Board of Directors' meeting resolution	May 22, 1971
Pablo Castilla Reparaz		Independent	Member-Lead Independent Director	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	December 6, 1960
Mustafa Ogretici		Independent	Member	October 5, 2017	October 5, 2017	General shareholders' meeting resolution	June 3, 1978
						Total number of Directors	**7**

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term	
Henry Joseph McGovern	Executive	October 5, 2017	May 14, 2019	N/A	Yes	Henry Joseph McGovern
Steven Kent Winegar Clark	Vocal	October 5, 2017	May 14, 2019	N/A	Yes	Steven Kent Winegar Clark

Explain cause of resignation, dismissal or any other reason
Resignations submitted due to the sale of all of both their participations in the Company which motivated their presence on the Board of Directors. In the case of Henry McGovern, his relationship as Executive Managing Director of AmRest Group, was terminated, as well.

C1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organizational chart of the company	Profile
	Total number of Executive Directors	0
	Percentage of Board	0.00

PROPRIETARY DIRECTORS

Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
José Parés Gutiérrez	**Grupo Finaccess S.A.P.I. de C.V.**	CEO of Finaccess Capital since 2013, in charge of portfolio management and Chairman of the Board of Restaurant Brands New Zealand Limited. He spent 19 years of his career working in various roles for Grupo Modelo and was the member of the Board of Crown Imports (Chicago, Illinois), Vice Chairman of the Board of MMI (Toronto, Canada), member of the Board of DIFA (Mexico) and a former member of the Mexican Brewers Association (Cámara de Cerveceros de México).
Luis Miguel Álvarez Pérez	**Grupo Finaccess S.A.P.I. de C.V.**	Board Member, Audit Committee Member and Investment Committee Member of Finaccess, S.A.P.I. Founder, Chairman of the Board and CEO of Compitalia, S.A. de C.V. Member of the Board of Restaurant Brands New Zealand Limited. Held several roles at Grupo Modelo. Currently a member of the board of numerous companies and NGOs.

Carlos Fernández González	**Grupo Finaccess S.A.P.I. de C.V.**	Chairman of the Board of Directors of Grupo Finaccess S.A.P.I. de C.V. He is also currently a non-executive director of Inmobiliaria Colonial Socimi, S.A. and member of the Board of Restaurant Brands New Zealand Limited. Previously held several roles at Grupo Modelo (the last one as Chairman of the Board and CEO) and has also served on the boards of national and international companies (such as independent Board member of Banco Santander).
	Total number of proprietary directors	3
	Percentage of Board	42.86

INDEPENDENT DIRECTORS

Name of director	Profile
Pablo Castilla Reparaz	Has held the roles of Director of Santander Direkt Bank (Germany), Director of Banco Mercantil (Peru), Non-member Secretary of BT Telecomunicaciones, S.A., Member Secretary of Santander Investment, S.A., Secretary of the Grupo Santander Investment Committee, Director Secretary at OpenBank and Member Secretary of Grupo Vitaldent. Mr. Castilla held the position of International and Corporate Legal Manager of Banco Santander for more than 20 years.
Mustafa Ogretici	Vast experience in managing restaurants and franchising. Since 1997, he has owned and managed a number of restaurants in the UK and since 2005 has been active investor in real estate.
Romana Sadurska	She has more than thirty years of experience in different positions related to the legal sector. During more than fifteen years, she was a partner and general secretary of the Spanish law firm, Uría Menéndez, and she also managed the office of the aforementioned law firm in Central and Eastern Europe. She is currently Executive Vice President of the Professor Uría Foundation, and serves as administrator of the Aspen Institute Spain, she is a member of the International Advisory Board of the Instituto de Empresa Business School and the Advisory Board of Uría Menéndez. She is also an honourably member of the Polish Academy of Gastronomy.
Emilio Fullaondo Botella	He has held senior management positions for more than twenty-three years in the beer industry, leading various departments related to the financial area of the Mexican beer group Grupo Modelo, including the position of Chief Financial Officer for a period of four years and subsequently in the Belgian company AB InBev, following the acquisition by Grupo Modelo as Chief People Officer for Middle Americas until his resignation in January 2019. He is also an independent director of the Restaurant Brands company, which is listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX).
Number of independent directors	**4**
Percentage of the Board	**57.14**

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of the director	Description of the relationship	Statement of the Board

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
		Total number of other external directors	
		Percentage of the Board	

State any changes in status that has occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status

C1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	N/A	N/A	0.00%	0.00%	N/A	N/A
Proprietary	0	0	N/A	N/A	0.00%	0.00%	N/A	N/A
Independent	1	0	N/A	N/A	14.29%	0.00%	N/A	N/A
Other external	0	0	N/A	N/A	0.00%	0.00%	N/A	N/A
Total	1	0	N/A	N/A	14.29%	0.00%	N/A	N/A

Remarks
Information provided as from the Company's relocation to Spain in March 2018. Before the Company did not have a Board of Directors but a dual board scheme with a Supervisory Board and a Management Board.

C1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes X No _ Partial policies __

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why

Description of policies, objectives, measures and how they have been implemented, including results achieved
Diversity management at AmRest is based on understanding the differences between those working for the company and developing policies and programmes to create a respectful environment, making use of such differences for the good of the organisation. AmRest recognises diversity in three different ways: (i) based on race, nationality, ethic group, gender, age, sexual orientation and disability; (ii) based on each person's level of study, place of residence, family background, etc.; (iii) organisational criteria in view of work experience, category, sector, etc. Among the implemented measures are: (i) the creation of diverse teams with regards to gender and age; (ii) fostering respectful behaviour when it comes to diversity, which in turn encourages people to act in a kind manner; (iii) the creation of guidelines on cooperation with disabled colleagues; (iv) encouraging a healthy work-life balance; (v) actively fighting against discrimination and harassment at the workplace through the Speak Openly platform, HR audits, employee meetings, etc.; (vi) the creation of a corporate culture underpinned by fundamental values; and (vii) ensuring equality with regards to accessing benefits and employee meetings. Moreover, AmRest has an Ethics Code and Ethics Committees, an e-learning platform with access to numerous workplace anti-discrimination, sexual harassment and mobbing training courses and recruitment process for those with a disability. The specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee in a bid to achieve a more balanced and diverse Board are reflected by the Director Selection Policy detailed in the following sections.

C1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means
Board members are selected and appointed based on the company's needs and in compliance with the requirements set out in the AmRest Director Selection Policy. The Board of Directors and Appointments Committee seek candidates who bring a wealth of diverse knowledge, abilities, experience and profile within the company. Searches are essentially based on the notion that the chosen candidates provide experience, know-how and professional merit, as well as demonstrating conduct and a background aligned to AmRest's values. Any male or female who meets these requirements can be included in the selection process. Ms. Romana Sadurska was appointed in May 2019 by co-opting to fill one of the vacancies that arose after the resignation of the members Mr. Henry McGovern and Mr. Steve Winegar.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of means

C1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

AmRest Director Selection Policy specifically states that all possible efforts shall be made so that within five years from approval of the policy (December 2018), female directors would represent at least 30% of the Board members. The Company shall encourage females to apply for director roles during selection and Board member re-appointment processes. To fulfil with this commitment, in May 2019, the first member of AmRest Board of Directors, Ms. Romana Sadurska, was appointed.

C1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes _ **No X**

Name of shareholder	Explanation

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director	Brief description

EXECUTIVE COMMITTEE	The Executive Committee has been delegated all of the Board's faculties, aside from those which may not be delegated according to the law, the Articles of Association and the Board of Directors Regulation.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Does the director have executive powers?	Name of director

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
Carlos Fernández González	Inmobiliaria Colonial Socimi, S.A.	Board Member
Carlos Fernández González	Restaurant Brands New Zealand Limited.	Board Member
José Parés Gutiérrez	Restaurant Brands New Zealand Limited.	Chairman of the Board
Luis Miguel Álvarez Pérez	Restaurant Brands New Zealand Limited.	Board Member
Emilio Fullaondo Botella	Restaurant Brands New Zealand Limited.	Board Member

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes X No __

Explanation of the rules and identification of the document where this is regulated
Pursuant to Article 22 of the AmRest Board of Directors Regulation, directors shall not form part of more than four other listed companies' boards of directors. In this regard, all of the companies' boards of directors belonging to the same group will be considered to have one single mandate as well as those holding board memberships as proprietary directors proposed by a company of the same group even if the stock held in the company, or the level of control, may not qualify that company to be considered as part of the group. Exceptionally, and provided there is just cause, the Board may exempt directors from this prohibition. In addition, directors shall inform the Appointments and Remuneration Committee of any material changes to their professional situation and any that may affect the nature or condition by virtue of which they have been appointed as a director.

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	16,716

Amount of vested pension interests for current members (thousand euros)	0
Amount of vested pension interests for former members (thousand euros)	0

Remarks
Simultaneously to tendering his resignation, in March 2019, Mr. McGovern exercised all his vested options under the share based remuneration schemes of AmRest; said options were settled in the amount of EUR 15,460 thousands.

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
Mark Chandler	Chief Executive Officer
Eduardo Zamarripa	Chief Financial Officer
Olgierd Danielewicz	Chief Operations Officer
María Elena Pato-Castel Tadeo	Equity Brands President
Oksana Staniszewska	Chief People Officer
Jerzy Tymofiejew	Chief Development Officer
Adam Sawicki	Chief Digital Officer
Peter Kaineder	Chief Strategy Officer
Ramanurup Sen	Food Services President
Robert Żuk	Chief Information Officer
Total senior management remuneration (thousand euros)	10,476

Remarks
Mr. Adam Sawicki left AmRest in August 2019.

C.1.15 State whether the Board rules were amended during the year:

Yes X No __

Description of the amendment
On July 30, 2019, the Regulation of the Board of Directors was amended to regulate the newly created Health and Safety Committee.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

Pursuant to Article 14 of the AmRest Articles of Association and Article 7 of the General Shareholders' Meeting Regulation, said shareholders' meeting shall be responsible for appointing and removing directors, as well as ratifying directors appointed by co-optation. Nevertheless, in accordance with Article 6 of the Board of Directors Regulation, the Board is responsible for appointing directors in the event of vacancies, until the general shareholders' meeting next meets.

The Appointments and Remuneration Committee assesses the capabilities, knowledge and experience required for a place on the Board. In this regard, the Committee is tasked with defining the duties and suitability of the candidates needed to fill each vacancy, as well as gauging the specific time and dedication required for them to properly perform such duties.

The Committee issues proposals to the Board concerning the appointment of independent members and those to be appointed by co-optation. Said proposals, as well as those relating to the re-appointment and removal of directors, are submitted for approval to the general shareholders' meetings. Moreover, the Committee must inform the Board of the appointment, re-election and removal of directors from their roles on the Board.

The appointment, ratification and re-appointment proposals issued to the general shareholders' meeting by the Board must be preceded by the corresponding report prepared by the Appointments and Remuneration Committee for the appointment of the remaining non-independent members. Each director's performance and dedication throughout their tenure will be taken into consideration upon their re-appointment or ratification.

Board members will each exercise their office for a term of four years. They may be re-appointed on one or several occasions for periods of the same maximum duration. Once the term has expired, the tenure will be terminated upon the next general shareholders' meeting, or when the legal term for holding such meeting to approve the accounts for the preceding fiscal year has elapsed.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes
According to its evaluation of the 2018 exercise, in 2019 the Board of Directors has put in place the Health and Safety Committee, it has increased the efficiency of its meetings by using the Executive Committee to address urgent issues and it has increased gender diversity within the Board of Directors and the percentage of independent directors.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

The Board evaluated its performance for the year 2019 at a meeting held in February 2020.

The Board assessment comprised an analysis of the following elements: (i) the quality and efficiency of its performance; (ii) the execution of the chairman and CEO's duties; (iii) the performance and composition of the committees; and (iv) the diversity in the composition and authority of the Board, as well as the performance and contribution of each member.

No external advisors were engaged.

The conclusions were contained in a report approved by the Board that, among other aspects, analysed the structure and composition of the Board, its internal efficiency and performance, and its relationship with the senior management team; the performance of the Board and committees' duties; and the latest improvements and recommendations for the next year.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

C.1.19 State the situations in which directors are required to resign.

Pursuant to Article 25 of the Articles of Association and Article 11 of the Board of Directors Regulation, the directors shall make their position available to the Board and execute, where deemed appropriate, the relevant resignation in the following cases: (a) when they cease to hold the executive positions to which their appointment as director was associated; (b) when they are involved in any of the situations deemed to be incompatible or prohibited according to law; (c) when they have committed a serious breach of their obligations as director; or (d) when remaining on the Board may endanger the company's interests, negatively affect the Board's credibility or reputation, or when the reasons for which they were appointed disappear (for example, when proprietary directors transfer or reduce their shareholding in the company).

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

Yes _ **No X**_

If so, please describe any differences.

Description of differences

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes _ **No X** _

Description of requirements

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes _ **No X_**

	Age limit
Chairman	
CEO	
Directors	

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes _ **No X_**

Additional requirements and/or maximum number of term limits

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Pursuant to Article 13 of the Board of Directors Regulation, directors should attend the sessions in person. Where this is not possible, they may, using any written means including email and for that session alone, delegate their representation to another director, with the appropriate instructions. This representation will be notified to the chairman or secretary of the Board. A single director may hold several representations. Non-executive directors may only delegate their representation to another non-executive director.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	**12**
Number of Board meetings without the chairman	**0**

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	**8**

Remarks
The coordinating member of the Board of Directors has attended all meetings. Since May 2019, there is no executive director on the Board.

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Executive Committee	**10**
Number of meetings held by the Audit Committee	**6**
Number of Meetings held by the Appointments and Remuneration Committee	**10**
Number of meetings held by the Appointments Committee	**N/A**
Number of meetings held by the Remuneration Committee	**N/A**
Number of meetings held by the Health and Safety_Committee	**2**

Remarks

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance.

Number of meetings when at least 80% of directors attended	11
% of attendance over total votes during the year	92%
Number of meetings in situ or representations made with specific instructions of all directors	12
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	100%

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes _ **No X_**

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

Pursuant to Article 19 of the Board of Directors Regulation and Article 5 of the Audit Committee Regulation, the Audit Committee is responsible for the following, among other duties: (i) to explain the results of the audit and how it contributed to the integrity of the financial information and the Audit Committee's role in this process; and (ii) to oversee the effectiveness of the company's internal control system, the internal audit and the risk management system, and discuss with the accounts auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence. For such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up.

Moreover, Article 9 of the Audit Committee Regulation stipulates that the Committee shall review the content of the audit reports and, as the case may be, the limited review of the interim accounts, as well as other reports to be prepared by the auditors prior to the issue of the former. This will help to avoid the issue of reports with reservations, allowing the Board to present the accounts to the general shareholders' meeting in an audit report without reservations or, in exceptional circumstances when such reservations do exist, for the Committee chair and the auditors to be able to explain the content and scope of the reservations to shareholders in a clear manner.

C.1.29 Is the secretary of the Board also a director?

Yes _ **No X_**

If the secretary is not a director, please complete the following table:

Name of the secretary	Representative
Eduardo Rodríguez-Rovira	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

Pursuant to the Board of Directors Regulation, the Audit Committee is responsible for proposing motions regarding the recruitment, appointment, re-election and replacement of the accounts auditor to the Board of Directors, taking charge of the recruitment process, as well as the terms and conditions of the agreement, the scope of their professional mandate and the renewal or termination of their mandate. In accordance with Article 19 of the Board of Directors Regulation, the Audit Committee shall also liaise with the auditor to receive information on matters that could represent a threat to its independence; any matter related to the implementation of the audit process; and, where appropriate, the authorisation of any services, other than those forbidden under the terms of the applicable audit regulations, and other communications envisaged by these regulations.

In any event, the Audit Committee must receive the following from the accounts auditor on an annual basis: written confirmation of its independence regarding the entity or those entities that it has direct or indirect links to; information on any additional services rendered of any kind and the relevant fees received by the auditor or persons, natural or legal, related to the auditor, from the abovementioned entities, pursuant to the provisions of the prevailing audit regulations.

Moreover, the Audit Committee shall issue – annually prior to the issue of the audit report – a report expressing an opinion on whether the independence of the accounts' auditor has been jeopardised. Such report must include a reasoned assessment of the provision of each and every additional service referred to in the foregoing paragraph (other than the legal audit), individually and as a whole, and in relation to the independence system or the audit regulations.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes _ **No X**

Outgoing auditor	**Incoming auditor**

If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes _ **No X_**

Explanation of

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes X__ No __

	Company	**Group Companies**	**Total**
Amount invoiced for non-audit services thousand euros)	39.9	2.4	42.3
Amount invoiced for non-audit services/Amount for audit work (in %)	14%	0%	4%

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes _ **No X_**

Explanation of reasons

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	**Consolidated**
Number of consecutive years	2	2

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	100%	100%

Remarks
This calculation has been made using data since the company's registered office has been relocated to Spain. KPMG PL audited AmRest Holdings SE when it was based in the Netherlands and in Poland. In that case, the number of years (in %) would have been 20% (individual) and 37% (consolidated).

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes X_ No __

Explanation of procedure
Article 25 of the Board of Directors Regulation sets forth the directors' right to counsel and information, insofar as they shall have access to all of the company's services and may, with the broadest powers, obtain any information and advice they may need to perform their duties. The right to information is extended to the subsidiaries, in Spain or overseas, and shall be channelled through the chairman or secretary of the Board of Directors. Said chairman or secretary will fulfil all requests from directors by supplying the information directly, putting the directors in touch with the appropriate persons or taking such measures as may be necessary for the requested examination. Directors shall also be entitled to propose to the Board of Directors, by way of majority, the engagement of any legal, accounting, technical, financial, commercial or other advisors as they may consider necessary for the company's interests in a bid to assist them in the performance of their functions when facing specific, important or complex problems relating to their duties. The secretary of the Board must notify the company's CEO of the proposal. The Board of Directors may withhold its approval if it considers the engagement unnecessary for the performance of the commissioned duties, either in view of its cost (disproportionate to the importance of the problem and the company's assets and revenues) or if it considers that the technical assistance requested could be adequately given by experts and officers within the company.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes X_ No __

Explain the rules
As stated in the Articles of Association and Board of Directors Regulation, among the cases in which the directors shall make their position available to the Board and execute, where deemed appropriate, the relevant resignation, includes when remaining on the Board may endanger the company's interests, negatively affect the Board's credibility or reputation, or when the reasons for which they were appointed disappear (for example, when proprietary directors transfer or reduce their shareholding in the company).

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes _ **No X**

Name of director	Criminal charge	Remarks

Decision/Action taken	Explanation

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

Yes _ No_

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The Change of Control Clause is included in the agreements signed in 2017 concerning the issue of Schuldscheindarlehen („SSD") debt instrument for the total value of EUR 101 million.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	0
Type of beneficiary	**Description of agreement**
Executives (other than Directors) and employees	Few selected officers and employees of the Company have in their contracts, specific severance clauses, which provides for higher severance payments than envisaged in applicable general labour law, in case of termination. The amount of the severance is determined on a case by case basis taking into account seniority, function and possible impact on the Company's business in case of withdrawal from office of such officer. In any case the severance payments do not exceed a maximum of two times annual salary.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	X	

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?		X

C.2 COMMITTEES OF THE BOARD OF DIRECTORS

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

EXECUTIVE COMMITTEE

Name	Post	Category
José Parés Gutiérrez	Chairman	Propietary
Luis Miguel Álvarez Pérez	Member	Propietary
Pablo Castilla Reparaz	Member	Independent

% of executive directors	0.00%
% of proprietary directors	66.66%
% of independent directors	33.33%
% of external directors	0.00%

Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10 and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The rules regarding the Executive Committee are found under Article 18 of the Board of Directors Regulation. The Executive Committee shall consist of a minimum of three and a maximum of five directors, in similar proportions to their weight on the Board of Directors. At least two-thirds of the Board members currently in office must vote in favour to appoint members of the Executive Committee. The chairman and secretary of the Board of Directors shall be the chairman and secretary, respectively, of the Executive Committee, and may also be assisted by the deputy secretary.

The members will step down from the Executive Committee when they relinquish the role of director or whenever agreed by the Board. The Board of Directors shall promptly fill any vacancies.

The Board of Directors will permanently delegate all of its powers to the Executive Committee, aside from those which may not be delegated according to law, the Articles of Association or the Board of Directors Regulation.

The Executive Committee shall meet as and when called by the chairman or requested by the majority of its members. The secretary shall record the resolutions adopted in the meeting minutes, a copy of which shall be made available to the Board members. The Executive Committee shall inform the Board of Directors about the important matters and decisions adopted at its sessions.

AUDIT AND CONTROL COMMITTEE

Name	Post	Category
Emilio Fullaondo Botella	Chairman	Independent
Pablo Castilla Reparaz	Member	Independent
Mustafa Ogretici	Member	Independent

% of proprietary directors	0.00%
% of independent directors	100%
% of external directors	0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The rules regarding the AmRest Audit Committee are found under Article 19 of the Board of Directors Regulation and the Committee's own Regulation. The Audit Committee will be made up of a minimum of three and a maximum of five directors and shall be chaired by whoever among them is appointed by the Board of Directors, as long as they are an independent director. All of the Audit Committee members will be appointed by the Board of Directors and shall be non-executive directors, the majority of whom, at least, must be independent directors. At least one of them must be appointed based on their knowledge and experience in accounting, auditing or both. The Audit Committee members, as a group, must have the relevant know-how regarding the industry that the entity subject to the audit belongs to.

The chairman of the Audit Committee will exercise their office for four years and may not be re-appointed until at least one year after stepping down.

Basic responsibilities: (i) To report, through its chairman, to the General Shareholders' Meeting on questions raised by the shareholders regarding matters within its remit, and explain the audit results and how it contributed to the integrity of the financial information and the Audit Committee's role in this process; (ii) To oversee the effectiveness of the company's internal control system, the internal audit, and the risk management system and discuss with the accounts auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence. For such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up; (iii) To oversee the process for preparing and disclosing mandatory financial information regarding the company and submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such financial information; (iv) To propose motions regarding the recruitment, appointment, re-election and replacement of the accounts auditor to the Board of Directors, taking charge of the recruitment process, as well as the terms and conditions of the agreement, the scope of their professional mandate, the renewal or termination of their mandate and where appropriate, regularly gather information about the audit plan and its implementation, while preserving its independence in the performance of its duties; (v) To liaise with the auditor to receive information on matters that could represent a threat to its independence; any matter related to the implementation of the audit process; and, where appropriate, the authorisation of any services, other than those forbidden under the terms of the applicable audit regulations, and other communications envisaged by these regulations; (vi) To issue – annually prior to the issue of the audit report – a report expressing an opinion on whether the independence of the accounts auditor has been jeopardised. Such report must include a reasoned assessment of the provision of each and every additional service referred to in the foregoing paragraph (other than the legal audit), individually and as a whole, and in relation to the independence system or the audit regulations; (vii) To advise the company's Board of Directors, in advance, of all of the topics covered by law, the Articles of Association and this Regulation, and namely, of: (a) The financial information that the company must disclose on a regular basis; (ii) The creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories considered to be tax havens; and (iii) Any transactions with related parties.

The Audit Committee's annual report for 2019 – available to shareholders on the AmRest website – details the key activities performed by the Committee during such period, summarised as follows: (i) review of the company's individual and consolidated annual accounts for the 2018 fiscal year prior to them being put together by the Board of Directors; (ii) with regard to external auditing, the Committee monitored the actions and services provided by KPMG, their reasonableness and justification, and the quality of the contracted services; (iii) with regard to internal auditing, the Audit and Control Committee promoted a project to review and update the Company's risk map, in addition to perform the duties relating to the internal auditing of the Company as assigned thereto under the Board of Directors Regulation and Audit Committee Regulation; (iv) in 2019, the Audit Committee oversaw compliance with the Internal Securities Market Conduct Regulation, the Board of Directors Regulation and, in general, the Company's rules on corporate governance; (v) promoted a process to improve the Company's consolidation systems; (vi) review of the notifications received from the Spanish Stock Market Regulator (CNMV); and (vii) analysed and took note of the company's treasury stock balance and the transactions executed using its own shares on a quarterly basis.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	Emilio Fullaondo Botella / Pablo Castilla Reparaz / Mustafa Ogretici
Date of appointment of the chairperson	14 May 2019

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Post	Category
Pablo Castilla Reparaz	Chairman	Independent
Luis Miguel Álvarez Pérez	Member	Propietary
Romana Sadurska	Member	Independent
Emilio Fullaondo Botella	Member	Independent

% of proprietary directors	25.00%
% of independent directors	75.00%
% of external directors	0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The rules regarding the Appointments and Remuneration Committee (ARC) are found under Article 20 of the Board of Directors Regulation. The ARC shall be made up of no less than three and no more than five non-executive directors, at least two of which must be independent directors.

The Board of Directors shall endeavour to ensure that the members, and in particular the chairman, of the ARC have the appropriate knowledge, qualifications and expertise to perform the duties entrusted to them. The ARC shall appoint the chairman from among its members.

Basic responsibilities: (i) To assess the qualifications, knowledge and experience required for the Board of Directors. For such purposes, to define the functions and qualifications required from candidates who must fill each vacancy and evaluate the exact amount of time and dedication required for them to effectively perform their duties; (ii) Submit proposals on independent directors to be appointed by co-optation to the Board of Directors to be subject to decision at the General Shareholders' Meeting, as well as the proposals for the re-appointment or removal of said directors; (iii) To issue a report regarding proposals to appoint the remaining directors for their appointment by co-optation or to be submitted to the General Shareholders' Meeting, as well as the proposals for their re-appointment or removal; (iv) To inform the Board of Directors about the appointment, re-election and removal of internal positions on the company's Board of Directors; (v) To issue a report regarding the motions to appoint and remove senior executives (including, for these purposes, the brand and area managers) and the basic terms of their contracts; (vi) To inform the Board about gender diversity matters and, particularly, to ensure that the selection procedures for directors and senior executives do not implicitly bias female candidates; (vii) To propose to the Board of Directors: (a) the remunerations policy for the directors and general managers or for those who have senior management functions and report directly to the Board of Directors, committees or the CEOs; (b) the individual remuneration for executive directors and other conditions of their contracts, ensuring that they are followed; and (c) the basic conditions of senior executive contracts; (viii) To analyse, pose and periodically review the remuneration policy applied to senior executives and the management team, including the remuneration packages with shares and their application, and ensure that it is proportionate to that paid to the other directors and members of the management team and to other personnel of the company; (ix) To ensure compliance with the remuneration policy established by the company; (x) To review and arrange for the succession of the chairman of the Board of Directors and the company's CEO and, where appropriate, to propose motions to the Board of Directors for such succession to take place in an orderly and well-planned manner; (xi) To inform the shareholders about the exercise of its functions, attending the General Shareholders' Meeting for this purpose; and (xii) To assist the Board in the preparation of the report on the remuneration policy and submit to the Board any other remuneration reports foreseen in this Regulation, verifying the information about the directors and senior executives' remuneration established in different corporate documents, including the annual report on directors' remuneration.

The ARC shall meet each time the chairman deems it necessary. The chairman will call a meeting whenever a report is issued or proposals need to be adopted and, in any case, whenever it is suitable for the successful performance of its functions.

HEALTH AND SAFETY COMMITTEE

Name	Post	Category
Mustafa Ogretici	Chairman	Independent
José Parés Gutiérrez	Member	Propietary
Pablo Castilla Reparaz	Member	Independent

% of proprietary directors	33.00%
% of independent directors	66.00%
% of external directors	0.00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Health and Safety Committee must be made up of a minimum of three and a maximum of five directors, all of them non-executive and, at least two of them, must be independent directors. The Chairman must be an independent director. The Health and Safety Committee shall be validly formed when the majority of its members attended, being present or represented by proxy. The agreements shall be adopted by a majority of concurrent members, present or represented by proxy.

The competencies of the Health and Safety Committee are: (i) to review, to supervise and to suggest to the Board of Directors the framework and policies of the Health and Safety Risk Management of the Company; (ii) to evaluate and to advise the Board of Directors on the various strategies to achieve the Health and Safety goals of the Company; (iii) to review and to suggest to the Board of Directors, the health and safety performance goals and to evaluate the performance in relation to those goals; (iv) to monitor the compliance by the Company with both, the Health and Safety policies and the applicable Health and safety laws; (v) to ensure that the systems used to identify and to manage the Health and Safety risks of the Company are adequate for the intended purposes and are applied effectively, periodically reviewed and continually improved; (vi) the Committee should ensure that the Board of Directors is kept informed and updated on issues related to Health and Safety risks; (vii) to ensure that the Company is effectively structured to manage and to prevent risks related to Health and Safety, which includes having trained employees, adequate communication proceedings and enough documentation; (viii) to examine and to advise the Board of Directors on the suitability of the resources available for the Health and Safety management systems and programmes of the Company; and (ix) to monitor and to supervise all incidents or matters related to Health and Safety, as well as the measures taken by the Board of Directors to avoid their repetitions.

The Committee was founded in July 2019 and it had its first meeting in December 2019. At that meeting the work plan for 2020 was approved to undertake the tasks entrusted.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors			
	Year t Number %	Year t-1 Number %	Year t-2 Number %	Year t-3 Number %
Executive committee	0.00%	0.00%	N/A	N/A
Audit committee	0.00%	0.00%	N/A	N/A
Appointments and remuneration committee	25.00%	0.00%	N/A	N/A
Appointments committee	N/A	N/A	N/A	N/A
Remuneration committee	N/A	N/A	N/A	N/A
Health and Safety committee	0.00%	N/A	N/A	N/A

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The rules regarding the committees are set out in the Articles of Association and the Board of Directors Regulation, both of which are available on the company's website at www.amrest.eu. Moreover, the Audit Committee has its own internal regulation. The company has prepared performance reports on each of the Audit and Remuneration committees, which shall also be available to shareholders on the website.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

Pursuant to Article 19 of the Board of Directors Regulation and Article 5 of the Audit Committee Regulation, the Audit Committee is responsible for advising the Board of transactions with related parties. For the approval of such transactions, any directors or related individuals with a direct or indirect conflict of interest must refrain from participating in the discussion and vote on the corresponding resolutions or decisions. Any resolutions or decisions which affect these individuals in their role as director, such as their appointment or removal from the Board and similar concepts, are excluded from the aforementioned obligation.

D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)

D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
Henry McGovern	Metropolitan Properties Investments Sp. z o.o.	Entity closely associated to Henry McGovern	Lease agreement of restaurants	164

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)

Remarks

D.5 State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or

significant shareholders.

The director shall take the necessary measures to avoid incurring situations in which his or her own or other interests may conflict with the corporate interest and their duties towards the company.

Article 24 of the Board of Directors Regulation stipulates that directors must inform the Board of any direct or indirect conflicts which they or related individuals may have with the company's interests. In this regard, directors' related parties shall be understood as the following: a) The director's spouse or persons with a similar relationship; b) The director or their spouse's parents, children and siblings; c) The spouses of the director's parents, children and siblings; d) Companies with which the director, directly or by proxy, is affiliated in any of the manners described under article 42, paragraph one of the Spanish Commercial Code. When directors are legal entities, their related parties shall be understood as the following persons: a) Partners or shareholders who are affiliated with such entity in any of the manners described in article 42, paragraph one of the Commercial Code; b) De jure or de facto directors, liquidators and attorneys with general powers of attorney in the company's legal entity director; c) Companies forming part of the same group and their partners or shareholders; d) Persons who, pursuant to the provisions of the preceding paragraph, qualify as affiliates in respect of the above legal entity's representative.

As set forth in said Regulation with regard to the duty of loyalty, directors are obliged to refrain from participating in the discussion and vote on resolutions or decisions with which they or a related individual have a direct or indirect conflict of interest. Any resolutions or decisions which affect these individuals in their role as director, such as their appointment or removal from the Board and similar concepts, are excluded from the aforementioned obligation.

Article 24 of the Board of Directors Regulation obliges the directors to refrain from: (a) Carrying out transactions with the company, except when they are part of the company's ordinary business, are carried out under normal market conditions and are of little significance, with these being understood to be those involving information that is not required to express a true image of the company's property, financial situation and results; (b) Using the company's name or adducing their standing as director to have undue influence when carrying out private transactions; (c) Making use of the corporate assets, including the company's confidential information, for private means; (d) Taking advantage of the company's business opportunities; (e) Obtaining advantages or remuneration from third parties other than the company or its group, associated to the discharge of their duties, other than minor matters of mere courtesy; (f) Carrying out activities on their own, or another's, behalf which entail effective competition, whether currently or potentially, or which, in any other way, places them in permanent conflict with the company's interests.

Additionally, the Company set the Procedure for Conflicts of Interest and Related-Party Transactions with Senior Officers (the "Procedure") of AmRest Holdings, SE, establishing the rules that must be followed in those situations in which there is a direct or indirect conflict of interest between the interest of the Company or any of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law and the interest of said persons or of other persons that the Audit and Control Committee decides to make subject to the conflict of interest rules or the persons related thereto, as well as in transactions that said persons engage in with the companies of the Group. The Code of Business Conduct (uploaded on the Group's corporate website (www.amrest.eu) also governs this matter under section 2.3.

Global Internal Audit and Internal Control Department reviews during its assignments any risks related to potential or existing conflicts of interest. In case of identifying such risks, this Department provides recommendations, requests for action plans and later monitors & verifies their implementation. This Department reports, including risks, recommendations, action plans and status of action plans monitoring & verification, are communicated to the Audit and Control Committee and the Top Management.

D.7 Is there more than one company in the group listed in Spain?

Yes **No _X_**

Identify the other companies that are listed in Spain and their relationship to the company:

Identity and relationship with other listed group companies

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the subsidiary and other members of the group:

Yes___No __

Describe the business relationship between the parent and subsidiary listed companies as well as between the subsidiary and other members of the group

Identify measures taken to resolve potential conflicts of interest between the listed subsidiary and the other group companies:

Measures taken to resolve potential conflicts of interest

E. RISK MANGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

AmRest has set up a Risk Management Policy that applies to all AmRest Group.
AmRest Management is accountable for daily identifying, analyzing, evaluating, monitoring and addressing the risks in areas of their responsibilities.

Global Internal Audit and Internal Control Function supports AmRest Management by realizing planned audit assignments according to the Annual Audit Plan and performing ad-hoc audit assignments.
The Management is responsible for preparing action plans addressing identified by the Global Internal Audit and Internal Control Department risks and opportunities. The Global Internal Audit and Internal Control Department regularly monitors, verifies and reports to the Audit and Control Committee and Top Management, the implementation of action plans declared by the Management.

Internal Audit Department updates AmRest Risk Map on a regular basis. The objectives of the AmRest Risk

Map project are to:

- collect comprehensive and structured information about risks at AmRest Group (identification);
- perform risk prioritization of the identified risks (assessment);
- have an updated and integrated risk map for AmRest Group.

The Risk Map is communicated to the AmRest Management for review and undertaking of adequate action plans addressing identified risks. The Risk Map report is communicated to the Audit and Control Committee for overseeing.

The Group has set up as well a Global AmRest Tax Policy that establishes the rules and procedures on this matter and are supervised by the Tax Department and, ultimately, by the Audit and Control Committee.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

The AmRest Risk Management Policy describes risk governance structure in AmRest Group, which includes:

- Board of Directors – provides oversight and review of risk management.
- Audit and Control Committee - oversees regular review of risk management activities.
- Top Management (CEO, CFO, COO, CPO, CIO, etc.) - promotes risk management culture.
- Management – is responsible for designing and execution of risk strategy and control mechanisms which decrease negative impact and/or probability of risks. Ensures employees comply with the risk management policy and support a culture where risks can be identified, addressed and escalated.
- Global Internal Audit and Internal Control Department - analyses and evaluates risk management, internal controls and corporate governance and provides recommendations supporting risk reduction.
- Employees and Co-workers - Comply with risk management policies and procedures.

According to the "Regulations Audit and Control Committee of the Board of Directors of AmRest Holding SE", the Audit and Control Committee oversees among others the effectiveness of the Company's internal control system, the internal audit, and the risk management. For such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up.

The finance team, led by the Chief Financial Officer, is responsible for the Group's tax policy and for the implementation of its tax strategy. Tax strategy is reviewed on an ongoing basis as part of the regular financial planning cycle. The Audit Committee is responsible for monitoring all significant tax matters. Audit Committee meetings are usually attended by a number of Group officers and employees including people from the tax, internal audit and financial reporting areas, including the Chief Financial Officer.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives

The AmRest group is subject to various risks in the different markets in which it does business.

1. Factors remaining outside the Group's control: opportunities for finding and securing available and appropriate locations for restaurants, the ability to obtain the permits required by relevant bodies, the possibility of delays in opening new restaurants.

2. Dependency on the franchisor. AmRest manages KFC, Pizza Hut, Burger King and Starbucks (in Romania,

Bulgaria, Germany and Slovakia) as a franchisee, and therefore a number of factors and decisions related to the business activities conducted by AmRest depend on the limitations or specifications imposed by the franchisors or on their consent.

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

4. No exclusivity rights - The franchising agreements concerning running of KFC, Pizza Hut Dine-In (excluding Russia and Germany) and Burger King (excluding Czech Republic and Slovakia) restaurants do not contain provisions on granting AmRest any exclusivity rights on a given territory, protection or any other rights on the territory, in the area or on the market surrounding AmRest restaurants. In the case of Starbucks restaurants, AmRest subsidiaries are the only entities authorized to develop and run Starbucks cafés in Poland, the Czech Republic and Hungary, without exclusivity rights to some institutional locations. The exclusive rights apply also to restaurants operated in Romania, Bulgaria, Germany and Slovakia.

5. Rental agreements and continuation options - Almost all AmRest restaurants operate in rented facilities. The majority of the rental contracts are long-term and they are usually concluded for at least 10 years from the date of commencing the rental.

6. Risk related to the consumption of food products – Consumer preferences may change in connection with:

- doubts arising as to the healthful properties of main ingredients,
- unfavorable information being circulated by the mass media concerning the quality of the products, diseases caused by them and damages to health,
- revealing unfavorable data prepared by the government or a given market sector concerning the products served in AmRest restaurants and restaurants of other franchisees and coffee stores.

7. Risk related to coronavirus and its spread across the world - AmRest operates restaurants in China which has been affected recently by health issues regarding coronavirus. The Chinese government as well as local authorities have taken measures in order to limit the exposure people may have on each other in order to limit spreading of the virus, one of which was to prolong holiday period after Chinese New Year. Also people have been more cautious in terms of visiting shopping malls or staying in the crowded areas. Not only has it effect on the number of restaurants being opened but also on the general traffic level in the restaurants in China. Also there is still a potential risk of virus spreading across Europe which is the main area of AmRest operations. It is reasonable to expect that such thing could impact on the Group's results in a more visible way.

8. Risk related to keeping key personnel in the Group – AmRest success depends to some extent on the individual effort of selected employees and key members of management. Their loss may have a short-term adverse effect on the business activities and operating results of the AmRest.

9. Risk related to labour costs of restaurant employees and employing and keeping professional staff - Running restaurant business on such a large scale as AmRest does requires employing a large number of professionals. Excessive outflow of employees and too frequent changes in managerial positions may pose a significant risk to the stability and quality of the business activities. Additional risk in employment area may be caused by fluctuations in unemployment rate.

10. Risk related to limited access to foodstuffs and the variability of their cost – The AmRest situation is affected by the need to ensure frequent deliveries of fresh agricultural products and foodstuffs and anticipating and responding to changes in supplies costs. The Group cannot rule out the risk related to delivery deficits or interruptions caused by factors such as unfavourable weather conditions, changes in legal regulations or withdrawing some foodstuffs from trading. Also, the increased demand for certain

products accompanied by limited supply may lead to difficulties in obtaining them by the Group or to price increases for those products.

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

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

13. Currency risk - The results of AmRest are exposed to currency risk related to transactions and translations into currencies other than the currency in which business transactions are measured in the individual Capital Group companies.

14. Risk related to the current geopolitical situation - AmRest conducts its business in countries where political situation is uncertain, e.g. Russia. Russia is one of the largest markets for AmRest. The recent geopolitical and economic turmoil witnessed in the region, have had and may continue to have a negative impact on the Russian economy, including weakening of the Russian Ruble, higher interest rates, reduced liquidity and consumer confidence. These events, including current and future international sanctions against Russian companies and individuals and the related uncertainty and volatility of the supply chain, may have a significant impact on the Group's operations and financial position, the effect of which is difficult to predict.

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

16. Risk of increased financial costs: AmRest and its subsidiaries are exposed to the significant adverse impact of interest rate fluctuations in connection with obtaining financing which bears floating interest rates and investing in assets bearing floating and fixed interest rates.

17. Liquidity risk - The Group is exposed to the risk of lack of financing at the moment of maturity of bank loans and bonds. The Group analyzes liquidity needs with particular focus on maturity of debt and proactively investigates various forms of financing that could be utilized if needed. As part of liquidity management, the Group typically refinances debt at 3-4 quarters prior to final maturity dates.

18. Tax risk - In the process of managing and making strategic decisions, which can affect the tax settlements, AmRest is exposed to tax risk. All irregularities occurring in tax settlements increase the risk of dispute in the case of a potential tax control.

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

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

21. Risk of computer system breakdowns and temporary breaks in serving customers in network restaurants - A potential partial or complete loss of data in connection with computer system breakdowns or damage or loss of key tangible fixed assets of the Group might result in temporary interruptions, which might have an adverse effect on the Group's financial results.

22. Cyberattack risk - Group's operations are supported by wide variety of IT systems, including point-of-sale systems, electronic ordering platforms, supply-chain management systems and finance and controlling tools.

As regards tax risks it should be noted that AmRest is present in many countries where the tax legislation is often complex and subject to interpretation, which may create risks and uncertainty about tax position adopted. Where uncertainty exists and in other cases identified by AmRest tax team, where tax exposure is deemed significant, we seek clarification from external experts and/or tax authorities. Tax risk is also generally attributable to uncertainty about the interpretation of tax law in relation to particular transactions and the business's view about whether a tax administration could have a different view to its own or the view of its advisors.

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

The Company set a level of risks tolerance or acceptable risk level established at a corporate level. This threshold represents the extent to which it is prepared to assume a certain level of risk, insofar as it may contribute to generating value and developing the business, achieving an appropriate balance between growth, performance and risk.

The AmRest Risk structure includes a 3-level risk classification system:

- The first level (main categories of risks) is divided into 4 areas:
  - Strategic,
  - Operational,
  - Financial,
  - Compliance.
- The second level contains specific risks.

The risks are evaluated by using the consistent parameters: vulnerability, impact and probability.

Risks can be classified to one of the areas: High Impact, Cumulative Impact, Over Controlled or Mitigated.

Internal Audit identified high risk areas and defined, together with the Audit and Control Committee, audit frequency.

E.5 State which risks, including tax compliance risks, have materialised during the year.

Some risks related to the activity of the Company have materialized during the year. None of these risks had a relevant impact on the AmRest business since the measures for their prevention and/or mitigation worked properly.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

In order to address and supervise the Group's risk management and control (including fiscal risks), model is based on a series of tools/processes described in section E.1 and E.2 of this report.

Global Internal Audit and Internal Control Department supports AmRest Management in risks identification and provides recommendations in area of risk management, collects action plans from the Management, which address risks, and monitors and verifies their implementation.

There are the following committees operating at AmRest in order to respond and supervise entity's main risks:

- Audit & Control Committee;
- Health and Safety Committee;
- Information Security Committee;
- Ethics Committee;
- Crisis Management Committee;

To reduce unnecessary tax risk AmRest introduced the following rules:

1) applies the Tax Policy which includes good practices in respect of taxes,

2) ensures that the company has the accounting and control mechanisms needed to handle day to day tax and reporting requirements,
3) ensures that tax is properly considered as part of corporate decision making processes,
4) considers the probability of a different approach of tax authority to the application of the tax law and acting in a manner which mitigates such risk.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (IFCR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 CONTROL ENVIRONMENT

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

The Board of Directors is ultimately responsible for the internal control and risk management systems. In this sense, in accordance with article 19.4.b) of the Regulations of the Board of Directors, this function is entrusted to the Audit and Control Committee. In particular, the audit committee shall:

- oversee the effectiveness of the Company's internal control system, the internal audit, and the risk management system and discuss with the accounting auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence;
- oversee the process for preparing and disclosing mandatory financial information regarding the Company and submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such financial information.

Regulations on Audit and Control Committee adopted, develop and supplement the provisions of the Status and Regulations of the Board of Directors. With regard to the process of preparing economic and financial information, Audit and Control Committee shall:

- oversee the process of preparation and submission and the clarity and integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and to oversee the review of the interim financial statements requested from the auditor, with the scope and frequency that may be defined, as the case may be
- review compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of such generally accepted accounting principles and international financial reporting standards as may be applicable
- submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of the financial information
- advice the Board of Directors on any significant change of accounting standard and of the significant risks on the balance sheet and off-balance sheet;

The Finance Department prepares the financial information and submits it for approval of the Audit Committee and the Board, and keeps the daily interaction and communication with the Group's external auditor.

Additionally, the Internal Auditing Department of the Group, with regard to its function of supporting the Auditing Committee when supervising the efficiency of the Internal Control System and company Risk Management, includes in its audit plan periodic revisions of the internal, financial and operational controls; the results of these revisions are summarized in the audit reports indicating the deficiencies detected and the action plans proposed by the Group Management to remedy them.
The Company has also adopted the Regulatory Compliance Policy implementing:

- Set of operating principles associated with the main compliance areas affecting organization;
- Set of mechanisms and procedures to prevent, identify and resolve situations in which unethical, unlawful practice or regulatory breaches occur in the course of our activities.

Lastly, the code of business conduct sets out the main ethical principles and regulations on behavior for all Group employees.

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

- **Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.**

The Group, through the corporate organisation division and the organisational units for each country, defines, implements and maintains the organisational structures, set of job positions aligned with the size and complexity of the units and strategy of the Group, addressing appropriate distribution of work and segregation of duties.
Global Internal Audit and Internal Control Department reviews during its assignments any risks related to responsibilities and reporting lines, proper distribution of work and duties. In case of identifying such risks, this Department provides recommendations, requests for action plans and later monitors and verifies their implementation. Audit reports, including risks, recommendations, action plans and status of action plans implementation are communicated to the Audit and Control Committee and to the Top Management.

Internal Audit functionally reports to the Audit and Control Committee.

With respect to the process of preparing financial information group has set in place, several policies, instruction and manuals (like Group Reporting and Accounting Manual, Group Charts of Accounts, Financial Calendar, Corporate Fiscal Policy, Finance and Investment Policy, Regulatory Compliance Policy, Risk Management Policy) determining responsibilities and authorities. Preparation of financial information concerns planning, the distribution of tasks and functions, specific timeline, various reviews to be performed at several levels and dissemination thereof. To this end, the Group has financial accounting and control functions in each of its operating markets; which are headed up by a controller responsible for implementing and integrating at the local level of global policies defined by Group ensuring the unified reporting standards across all the Group.

- **Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and**

proposing corrective actionsand sanctions.

According to the Code of Conduct, the Ethics Committee addresses all issues related to compliance with the Code of Business Conduct, including resolutions of a breach or a suspected breach of the Code by Employees and Co-workers of AmRest Group.
The Committee operates and runs its meetings in compliance with the Code of Conduct and the appropriate directives issued by the CEO, the Board of Directors or its Executive Committee. The Committee members are appointed and dismissed by the Board of Directors at the request of the HR Department Director.

- **Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.**

AmRest offers access to an email address to safely and confidentially report any breach of any internal procedures or policies, the Code of Conduct, regulatory breaches or the absence of internal control.

- **Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.**

With regard to employee training in financial and control issues, AmRest provides through its:

- AmRest College
- AmRest University.

Financial reporting personnel attend technical sessions run by external consultancy firms and covering developments in accounting. Likewise, the Group relies on the external advice of experts in specific areas related to the financial reporting.

AmRest supports also financial reporting personnel in getting professional and internationally recognized certificates like ACCA or CIMA. AmRest supports Internal Auditors in getting professional and internationally recognized certificates like CIA, CISA, CFE and others.

F.2 ASSESSMENT OF FINANCIAL INFORMATION RISKS

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

Whether the process exists and is documented.

AmRest Group's risk identification and assessment is an internal process, defined by Risk Management Policy adopted by the Company and cascaded to all subsidiaries within the Group.
Per this policy, process carried out by:

- the Board of Directors and Audit Committee (oversight and review of risk management),
- Top Management (promoting risk management culture),
- Management - Responsible for designing and executing of risk strategy and control mechanisms
- Internal Audit and Internal Control Department (evaluating risk management, internal controls and corporate governance and providing recommendations)
- Employees and Co-workers (complying with risk management policies and procedures)

Section E.4 of this report indicates the risk classification system, which takes into account all classes of risk. Its scope is greater than the risks directly related to the preparation of the Group's financial information.
In relation to reporting of financial information the Group additionally ensures the existence of specific controls covering the potential risk of error or fraud in the issuance of the financial information, i.e., potential errors in terms of:
the existence of the assets, liabilities and transactions as of the corresponding date and reporting period;
proper and timely recognition and correct measurement of its assets, liabilities and transactions; and
the correct application of the accounting rules and standards and adequate disclosures.
These controls are applied dynamically and updated continually to reflect the reality of the Group's business as it evolves.

- **If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.**

Identification of risks is carried out for each process identified as relevant based on the objectives of the financial reporting: existence and occurrence, completeness, valuation, presentation, breakdown and comparability, and rights and obligations.

- **The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.**

In the process of identifying the consolidation scope, the Group Controller (Head of Group Accounting Department), regularly updates the consolidation scope, verifying all changes (additions and removals) in the Group structure. Any changes within the scope of consolidation are subject to Audit and Control Committee approval.

- **If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**

The process of identifying risks leading to errors in the financial reporting takes into account also qualitative factors, together with other types of risk (like operational, financial, strategic, regarding regulatory compliance) as they ultimately affect the financial statements.

- **The governing body within the company that supervises the process.**

The Board through the Audit and Control Committee supervises this process.

F.3 CONTROL ACTIVITIES

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

As indicated in F.1.1 section of this report, the Board of Directors relies on the Audit and Control Committee to supervise the process of preparing and presenting the required financial information relating to the Company and the Group, including related nonfinancial information, as well as its integrity, reviewing the Audit Committee in the first place compliance with regulatory requirements, the proper determination of the scope of consolidation and the correct application of accounting standards.

The Audit and Control Committee also has the duty to report to the board, in advance of the adoption by it of the corresponding decisions, regarding the financial information that the Group must periodically make public, ensuring that such information is prepared in accordance with the same principles and practices used to prepare the financial statements and is as reliable as such statements.

Each quarter the Group Accounting Department submits the periodic consolidated financial information to the Audit and Control Committee, highlighting the main assumptions and accounting criteria applied and clarifying any significant events which occurred during the reporting period.

Likewise, the AmRest Group has in place documented financial processes, which implies common criteria for preparing financial information for all subsidiaries within the Group. The Group Accounting Department issues mandatory instructions setting out the calendar and contents for the financial reporting period for the preparation of the consolidated financial statements.

The Group Accounting Department also follows documented procedures for preparing consolidated financial information (provided in section F.4.2).

The Group Accounting Department reviews the key judgments, estimates, valuations and forecasts to identify critical accounting policies that require the use of estimates and value judgments. The most relevant are dealt with by the Audit and Control Committee. Senior management defines the format for presenting the financial statements prior to approval by the Board.

The most significant aspects of the accounting close process and the review of the material judgements, estimates, measurements and projections used are as follows:

- impairment losses on certain assets,
- the useful life of the tangible and intangible assets,
- the measurement of goodwill arising on consolidation,
- the fair value of the identifiable assets acquired, and the liabilities assumed in business combinations.

The Board of Directors is responsible for approving the financial information that the Group, being a listed company, is obliged to publish.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The Group's IT systems are directly or indirectly related to the financial reporting and financial statements as such. They are configured to ensure the correct preparation and publication of financial information at all times by means of a specific internal control procedures. The Group has internal policies and procedures, which are duly updated and distributed, relating to systems security and access to the IT applications and systems based on roles and in accordance with the duties and clearances ensuring proper separation of powers. The Group's internal policies establish that access to all systems storing or processing data shall be strictly controlled, and that the level of access control required is determined by potential impact on the business. Access rights are assigned by Group experts in this area, by roles and functions. In addition, to ensure compliance, the user and profile maintenance control and review processes in which responsible personnel in each area are involved ensure that information is only available to persons who need it for their work.

Per Group's methodology, any new software developments and any updates of existing IT solutions go through 3 phases, i.e. design, development, and test before final implementation to the productive environment, which guarantees that financial information is handled reliably.

The Group have taken necessary steps to ensure on-going performance of key functions in the event of disasters or other events that could halt or interrupt business operations. These steps constitute specific initiatives mitigating the scale and severity of IT incidents and ensuring that operations are up and running again as quickly and with as little damage as possible. The Group has highly automated back-up systems to ensure the continuity of the most critical systems. In addition, there are specific risk mitigation strategies in place, such as cloud and virtual data processing centres, back-up power suppliers and offsite storage facilities.

F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

AmRest Group does not usually outsource to third parties' activities that have the impact on the financial reporting process. In case a process or its part is outsourced to an independent party, the same set of policies and procedures applicable for internal reporting purposes, is put in place for the external contractor, to ensure coverage of the risks associated with such outsourcing. The Group puts in place service level agreements ensuring the integrity and quality of information provided by external contractors. The Group mostly assesses its estimates in
house. Whenever it is advisable to hire a third-party contractor, it does so having verified their expertise and independence, and validated their methods and the reasonableness of the assumptions made.

F.4 INFORMATION AND COMMUNICATION

State whether the company has at least the following, describing their main characteristics:

F. 4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

Group Accounting department is responsible for defining, updating and disseminating the accounting policies of the AmRest Group. Accordingly, it has a Group Reporting and Accounting Manual adapted to the needs of the Group. These accounting policies are developed based on the International Financial Reporting Standards adopted by the European Union (IFRS).

The Group Reporting and Accounting Manual is disseminated throughout all the personnel involved in the financial reporting process.

Any significant changes affecting Group Reporting and Accounting Manual, are communicated to the organization together with the updated Manual. Group Accounting department consist of high qualified personnel and resolves queries or conflicts deriving from the interpretation of the accounting standards and/or policies.

F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

The Group's reporting structure supplies different kinds of services, including:

- General IT systems
- Management systems providing information for business monitoring and control purposes.
- Business systems encompassing the operation (sales) related systems
- Structural systems providing the data shared and used by all the applications and services. These systems include all those related to the accounting and financial information.

The same accounting system has been already implemented already in main subsidiaries; the Group's though is still in progress of implementing it in remaining subsidiaries. Group is in the process of integration of subsidiaries and business acquired recently.

Likewise, Group has a consolidation system that enables standardized information to be obtained about the Group's companies for the consolidation purposes.

As stated above, there is a Group Accounting and Reporting Manual and Group Charts of Accounts, which include specific instructions on preparing the financial statements.

Preventive controls have been defined, ensuring safe data input to the consolidation system. The implementation of this solution ensures for the financial statement information and the annual accounts standardization.

The data in native currencies reported by subsidiaries are within the consolidation system automatically and in standardized way converted to euro and are subsequently aggregated to the consolidated figures.

The consolidation process is designed to identify intragroup transactions, ensuring they are correctly eliminated. In addition, in order to ensure the quality and comprehensiveness of the information, the consolidation system is configured to make investment-equity elimination adjustments and to eliminate intragroup transactions, which are generated automatically in keeping with the system settings and checks.

This entire process is highly automated and includes automatic controls to enable the detection of incidents in the consolidation process. The Group Accounting and Planning & Analysis departments perform additionally oversight and analytical controls.

F.5 SUPERVISION OF SYSTEM PERFORMANCE

Describe at least the following:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The Corporate Bylaws and Regulations of the Board of Directors state that the primary duty of the Audit and Control Committee shall be to support the Board of Directors in its supervisory duties, with its main functions including: supervising the effectiveness of the Company's internal control system and risk management systems, and discussing with the Auditors significant or material weaknesses in the internal control system detected during the audit. The Audit and Control Committee is responsible for supervising the effectiveness of the internal controls carried out by the AmRest Group's Internal Audit function.

The Internal Audit function reports functionally to the Audit and Control Committee, with the primary goal of lending them support in their responsibilities concerning ensuring governance, risk management, and the Group's Internal Control System. Internal Control comprises all process which may reasonably ensure compliance with law, regulations and internal rules, reliability of information, efficiency and efficacy of operations, and the integrity of the organisation's net worth.

The Internal Audit function is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Internal Audit Function is being governed by Internal Audit Article of Association.
With regard to supervision of Internal Control over Financial Reporting (ICFR), AmRest is listed on the Spanish Stock Exchanges (and Warsaw Stock Exchange) and is subject to the regulatory requirements established by the supervision authority (CNMV) applicable to companies being traded on Spanish Stock Exchange.

F.5.2 If there is a procedure by which the account auditor (in accordance with the contents of the *Normas Técnicas de Auditoría* (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

According to the Internal Audit Articles of Association, the Global Internal Audit and Internal Control Department reports progress of Annual Audit Plan realization, issues with controls, corporate governance, significant AmRest risks, progress of recommendations implementation and others which are required by CEO and/or the Audit and Control Committee.

The irregularities identified by Financial Auditors are included in the GIA&IC process of regular monitoring, verification and reporting of the implementation of action plans declared by the Management.

Any irregularities identified in standalone and/or consolidated financial statements are reported to Audit and Control Committee as Summary Report (after the half-year review and audit of the annual accounts). Audit and Control Committee meets the Financial Auditors at least twice a year.

According to the "Regulations Audit and Control Committee of the Board of Directors of AmRest Holdings SE", the Audit and Control Committee should, among others, oversee the effectiveness of the Company's internal control system, the internal audit, and the risk management system and discuss with the accounting auditor the significant weaknesses of the internal control system revealed in the course of the audit, while maintaining its independence For such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors.

With regard to the preparation of the regulated financial information of the Company and its Group, the Committee shall have the following main duties:

a) To oversee the process of preparation and submission and the clarity and integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and to oversee the review of the interim financial statements requested from the auditor, with the scope and frequency that may be defined, as the case may be. The Committee meets often with the external auditor to comply with this function;
b) To review compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of such generally accepted accounting principles and international financial reporting standards as may be applicable;
c) To submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of the financial information; and
d) To advice the Board of Directors on any significant change of accounting standard and of the significant risks on the balance sheet and off-balance sheet.

F.6 OTHER RELEVANT INFORMATION

N/A

F.7 EXTERNAL AUDITOR´S REPORT

Report from:

F.7.1 If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given

The information on the internal control over the financial reporting system has been not submitted for review by the external auditor as the Group continues implementing the improvements and recommendations arising from the ICFR implementation process at corporate level in Spain and the in its main subsidiaries.

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company´s actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies X | Complies partially | Explanation |

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies | Complies partially | Explanation | **Not Applicable X** |

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies | Complies partially | **Explanation X** |

At the General Meeting held in June 2019, such a verbal presentation was not made by the Chairman, since all the attending shareholders other than the controlling shareholder, who has representation on the Board, attended through proxies to the Chairman of the Board, thus making it unnecessary the explanation at the meeting.

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders. And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies X | Complies partially | Explanation |

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies X | Complies partially | Explanation |

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

- **a) Report regarding the auditor's independence.**
- **b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.**
- **c) Report by the audit committee regarding related-party transactions**
- **d) Report on the corporate social responsibility policy.**

Complies X | Complies partially | Explanation |

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies | **Explanation X** |

Thus far, the holding of the General Shareholders' Meeting has not been transmitted via the corporate website since the implementation of the mechanisms required for such retransmission has not been considered necessary, taking into account the shareholder structure of the Company. GSM is recorded and the audio is uploaded on the Company's website.

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies X | Complies partially | Explanation |

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies X | Complies partially | Explanation |

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- **a) Immediately distributes the additions and new proposals.**

b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies | Complies partially | Explanation | **Not Applicable X** |

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establishes in advance a general policy of long-term effect regarding such payments.

Complies | Complies partially | Explanation | **Not Applicable X** |

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies X | Complies partially | Explanation |

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies X | Explanation |

14. That the Board of Directors approves a selection policy for directors that:

a) Is concrete and verifiable.
b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies | **Complies partially X** | Explanation |

The Company partially complies with this recommendation to the extent that AmRest's Director Selection Policy expressly provides that every effort will be made to ensure that, within five years of the approval of such policy (i.e. in 2023), the number of female directors represents at least 30% of the members of the Board.

The reason for such five-year period since AmRest listing in Spain was to mirror the adaptation period given to the Spanish listed companies upon approval of the current Corporate Governance Code (2015-2020).

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies X| Complies partially | Explanation |

16. That the percentage of proprietary directors divided by the number of non- executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- **a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.**
- **b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.**

Complies X| Explanation |

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies X | Explanation |

18. That companies publish and update the following information regarding directors on the company website:

- **a) Professional profile and biography.**
- **b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.**
- **c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.**
- **d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.**
- **e) The shares and options they own.**

Complies X| Complies partially | Explanation |

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies | Complies Partially | Explanation | **Not Applicable X**|

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies X| Complies Partially | Explanation | Not Applicable |

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies X| Explanation |

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies X | Complies partially | Explanation |

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies X| Complies Partially | Explanation | Not Applicable |

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies X | Complies Partially | Explanation | |

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies X| Complies partially | Explanation |

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies X| Complies partially | Explanation |

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies X| Complies partially | Explanation |

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies X| Complies Partially | Explanation | Not Applicable |

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies X| Complies partially | Explanation |

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require

Complies X| Explanation | Not Applicable |

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

Complies X| Complies partially | Explanation |

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies X| Complies partially | Explanation |

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies X| Complies partially | Explanation |

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non- executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies | **Complies Partially X**| Explanation | Not Applicable |

AmRest partially complies with the recommendation to the extent that the Regulations of the Board of Directors attribute in article 16 the following functions to the Coordinating Director: a) to reflect the concerns of non-executive directors and to meet them when it considers it appropriate; b) to request the calling of the Board of Directors or the inclusion of new items of the day in a meeting of the Board already called; and c) to direct the periodic evaluation of the Chairman of the Board of Directors.

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies X| Explanation |

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) **The quality and efficiency of the Board of Directors' work.**
b) **The workings and composition of its committees.**
c) **Diversity of membership and competence of the Board of Directors.**
d) **Performance of the chairman of the Board of Directors and the chief executive officer of the company.**
e) **Performance and input of each director, paying special attention to those in charge of the various Board committees.**

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies X | Complies partially | Explanation |

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies X | Complies Partially | Explanation | Not Applicable |

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies X | Complies Partially | Explanation | Not Applicable |

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies X | Complies partially | Explanation |

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies X | Complies partially | Explanation |

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies X| Complies Partially | Explanation | Not Applicable |

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

- **a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.**
- **b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re- election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.**
- **c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.**

2. With regard to the external auditor:

- **a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.**
- **b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.**
- **c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.**
- **d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.**
- **e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.**

Complies X| Complies partially | Explanation |

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies X| Complies partially | Explanation |

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies X | Complies Partially | Explanation | Not Applicable |

45. That the risk management and control policy identify, as a minimum:

a) **The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.**
b) **Fixing of the level of risk the company considers acceptable.**
c) **Means identified in order to minimise identified risks in the event they transpire.**
d) **Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.**

Complies | **Complies partially X**| Explanation |

The Company has a Risk Management Policy which covers most but not all the above matters.

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

a) **Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.**
b) **Actively participate in the creation of the risk strategy and in important decisions regarding risk management.**
c) **Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.**

Complies | **Complies partially X** | Explanation |

The internal audit department, which operates under direct supervision of the Audit Committee, periodically performs a review and update of the Group's risk map. In addition, it oftenly meets with the Audit Committee to define the strategy with respect of the Group's risk. The task to ensure that the risk management and control systems adequately mitigate risks is not specifically attributed to a special department of the Company.

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies X| Complies partially | Explanation |

48. That high market capitalisation companies have formed separate appointments and remuneration committees.

Complies | Explanation | **Not Applicable X**|

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies | **Complies partially X**| Explanation |

Although it is not expressly contemplated in AmRest's internal regulations for the Appointments and Remunerations Committee to consult the Chairman of the Board and the chief executive when dealing with matters relating to executive directors, in practice said Committee indeed consult the Chairman and the Chief Executive on those matters (currently, there is no executive directors at AmRest Group).

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- **a) Propose basic conditions of employment for senior management.**
- **b) Verify compliance with company remuneration policy.**
- **c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.**
- **d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.**
- **e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.**

Complies X| Complies partially | Explanation |

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies X| Complies partially | Explanation |

Although it is not expressly contemplated in AmRest's internal regulations for the Appointments and Remunerations Committee to consult the Chairman of the Board and the chief executive when dealing with matters relating to executive directors, in practice said Committee indeed consult the Chairman when needed (currently, there is no executive directors at AmRest Group).

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- **a) That they are comprised exclusively of non-executive directors, with a majority of them independent.**
- **b) That their chairmen be independent directors.**
- **c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.**
- **d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.**
- **e) That their meetings be recorded and the minutes be made available to all directors.**

Complies X | Complies Partially | Explanation | Not Applicable |

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

- **a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.**
- **b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.**
- **c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.**
- **d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.**
- **e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.**
- **f) Supervision and evaluation of the way relations with various stakeholders are handled.**
- **g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.**
- **h) Coordination of the process of reporting on diversity and reporting non- financial information in accordance with applicable rules and international benchmarks.**

Complies | **Complies partially X** | Explanation |

Although not expressly contemplated in AmRest's internal regulations, both the Audit Committee and the Appointments and Remuneration Committee execute the functions referred to in this recommendation.

54. That the corporate social responsibility policy includes principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

- **a) The objectives of the corporate social responsibility policy and the development of tools to support it.**
- **b) Corporate strategy related to sustainability, the natural environment and social issues.**
- **c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.**
- **d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.**
- **e) Means of supervising non-financial risk, ethics, and business conduct.**
- **f) Communication channels, participation and dialogue with stakeholders.**
- **g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.**

Complies | **Complies partially X**| Explanation |

The Company partially complies with this recommendation to the extent that it has a Corporate Social Responsibility Policy, available on its website, although it does not include all the principles contained in the recommendation.

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies

Complies X| Complies partially | Explanation |

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies X| Explanation |

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies X| Complies partially | Explanation |

58. That, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- **a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.**
- **b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.**
- **c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.**

Complies | **Complies Partially X**| Explanation | Not Applicable |

The remunerations policy and practices of the Company fairly align with these criteria and the Board and the Appointments and Remunerations Committee are in constant review to improve Company's practices as regards variable remuneration.

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies X | Complies Partially | Explanation | Not Applicable |

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies | Complies Partially | **Explanation X** | Not Applicable |

Among the terms and conditions of the remuneration related to company results there is no reference to reservations which may appear in the external auditor's report.

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies X | Complies Partially | Explanation | Not Applicable |

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The foregoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies | **Complies Partially X** | Explanation | Not Applicable |

It complies with the restriction that they may not exercise options or rights until a term of at least three years has elapsed since they received said shares

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies | **Complies Partially X** | Explanation | Not Applicable |

The Group's remuneration policy includes such a clause although it is not specifically included in contractual arrangements. In any case variable remuneration is always paid after performance criteria has been properly confirmed.

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies X | Complies Partially | Explanation | Not Applicable

H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or

group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20th July, 2010

As AmRest is listed on the Warsaw Stock Exchange, the Company periodically reports on the degree of compliance with the corporate governance recommendations required by applicable law through the publication of the Declaration of Compliance with the Principles of Good Practice for Companies Listed on the Warsaw Stock Exchange.
This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 27 February 2019.

State whether any directors voted against or abstained from voting on this report.

Yes **No X**

Name of director who has not voted for the approval of this report	**Reasons (against, abstention, non-attendance)**	**Explain the reasons**

Signatures of the Board of Directors

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

Emilio Fullaondo Botella
Member of the Board

Romana Sadurska
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mustafa Ogretici
Member of the Board

Madrid, 28 February 2020

KPMG Asesores S.L.
P°. de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on the Consolidated Non-Financial Information Statement of AmRest Holdings, S.E. and subsidiaries for the year 2019

To the shareholders of AmRest Holdings, S.E.:

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Consolidated Non-Financial Information Statement (hereinafter NFIS) for the year ended 31 December 2019, of AmRest Holdings, S.E. (hereinafter the Parent Company) and subsidiaries (hereinafter the Group) which forms part of the 2019 Group's Directors' Report.

The consolidated Directors' Report includes additional information to that required by prevailing mercantile legislation on which it is not possible to provide assurance as it was not prepared using adequate criteria. In this regard, our assurance work was limited only to providing assurance on the information contained in table "Contents index of the Law 11/2018" of the accompanying consolidated Directors' Report.

Directors' responsibilities

The Board of Directors of the Parent Company is responsible for the contents and the authorisation for issue of the NFIS included in the Group's Directors' Report. The NFIS has been prepared in accordance with the contents required by prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with each subject area in the table "Contents index of the Law 11/2018" of the aforementioned Group's Directors' Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The directors of the Parent Company are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the NFIS was obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of Management, as well as of the different units of the Parent Company that participated in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and sample review testing described below:

- Meetings with the Parent Company personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the NFIS based on the materiality analysis performed by the Parent Company and described in the section "Materiality topics" considering the content required in prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the NFIS for 2019.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2019.
- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2019 and whether it has been adequately compiled based on data provided by internal and external information sources or third-party reports.
- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of AmRest Holdings, S.E. and subsidiaries for the year ended 31 December 2019, has not been prepared, in all material respects, in accordance with the contents included in prevailing mercantile legislation and with the GRI Standards selected, in accordance with each subject area in the table "Contents index of the Law 11/2018" of the aforementioned consolidated Directors' Report.

Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.

Ramón Pueyo Viñuales

28 February 2020

AmRest Holdings, S.E.

Annual Accounts

31 December 2019

Directors' Report

2019

(With Independent Auditor's Report Thereon)

KPMG

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

Independent Auditor's Report on the Annual Accounts

To the Shareholders of AmRest Holdings, S.E.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of AmRest Holdings, S.E. (the "Company"), which comprise the balance sheet at 31 December 2019, and the income statement, statement of recognized income and expenses, statement of cash flows, statement of changes in equity and notes and for the year then ended.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

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

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

Key Audit Matters

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

Recoverable amount of investments in Group companies See note 6 to the annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2019 the Company has recognised investments in Group companies amounting to Euros 387.2 million. The recoverable amount of investments in Group companies is determined, for those companies in which there is objective evidence of impairment, by applying valuation techniques which often require the exercising of judgement by the Directors and the use of assumptions and estimates. Due to the uncertainty associated with these estimates, this has been considered a key audit matter.	Our audit procedures included the following: - Evaluating the design and implementation of key controls related to the measurement process. - Evaluating the existence of indications of impairment identified by the Company, contrasting the information with the financial position of the investees in which there are indications of impairment. - Assessing the methodology and assumptions used to estimate the recoverable amount, by determining the higher of value in use and fair value less costs to sell, based on discounted cash flows. - Comparing the cash flow forecasts estimated in prior years with the actual cash flows obtained. - Analysing the sensitivity of the estimated recoverable amount to changes in the relevant assumptions and judgements, such as the discount rate, the business assumptions and the expected future growth rate in perpetuity. - We also assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors' Report

Other information solely comprises the 2019 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

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

a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that aforementioned information has been provided in the directors' report, and if not, to report on this matter.

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

Based on the work carried out, as described above, we have verified that the specific information mentioned in section a) above has been provided in the directors' report, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2019, and that the content and presentation of the report are in accordance with applicable legislation.

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

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

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

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 28 February 2020.

Contract Period

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

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

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

KPMG AUDITORES, S.L.

2020 Núm.01/20/04322

Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

Carlos Peregrina García
On the Spanish Official Register of Auditors ("ROAC") with No. 15,765

28 February 2020

Annual Accounts and Directors' Report for the year ended 31 December 2019

AmRest Holdings SE

28 FEBRUARY 2020

AmRest

AmRest

Contents

(all figures in EUR millions unless stated otherwise)

Balance sheet as at 31 December 2019

	Notes	31 December 2019	31 December 2018
Assets			
Intangible assets		0.1	0.1
Non-current investment and loans in group companies		**615.4**	591.4
Equity instruments	6.1	387.2	391.7
Loans to group companies	6.3	228.2	199.7
Non-current financial investments	6.3	76.2	26.9
Other non-current financial assets		0.1	-
Total non-current assets		**691.8**	**618.4**
Trade and other receivables	6.4	22.5	1.5
Other receivables from group companies		1.1	1.3
Other trade receivables		20.3	0.2
Current tax assets	11	1.0	-
Other tax receivables	11	0.1	-
Investments and loans in group companies	6	23.3	6.0
Loans to group companies	6.3	20.6	4.6
Other financial assets		2.7	1.4
Cash and cash equivalents	7	9.5	22.9
Total current assets		**55.3**	**30.4**
TOTAL ASSETS		**747.1**	**648.8**
Capital and Reserves without valuation adjustments	8		
Share capital		22.0	22.0
Share premium		237.3	237.3
Reserves		35.1	31.0
Treasury shares and equity instruments		(7.5)	(15.2)
Profit for the period		25.8	4.1
Other equity instruments		(25.4)	(6.2)
Adjustments for changes in value	8	18.4	(4.9)
TOTAL EQUITY		**305.7**	**268.1**
Liabilities			
Non-current provisions	10	0.5	1.3
Non-current financial liabilities	6.5	394.8	355.3
Loans and borrowings from financial institutions		293.8	254.3
Other financial debt		101.0	101.0
Non-current Debts with group companies		-	17.7
Deferred tax liabilities	11	8.4	-
Total non-current liabilities		**403.7**	**374.3**
Current financial liabilities	6.5	30.0	1.3
Current Debts with group companies	6.7	1.7	0.6
Trade and other payables	6.6	**6.0**	4.5
Trade and other payables to third parties		0.3	0.9
Trade and other payables to group companies		1.7	1.7
Personnel (salaries payable)		0.2	0.1
Income tax payable		-	1.5
Other payables with tax administration	11	3.8	0.3
Total current liabilities		**37.7**	**6.4**
TOTAL LIABILITES		**441.4**	**380.7**
TOTAL EQUITY AND LIABILITIES		**747.1**	**648.8**

The accompanying notes 1-17 are an integral part of the Annual Accounts for 2019.

(all figures in EUR millions unless stated otherwise)

Income Statement for the year ended 31 December 2019

	Notes	31 December 2019	31 December 2018
Revenues		**17.2**	**13.1**
Dividends received from subsidiaries	6 and 12.1	3.1	8.4
Net income from the stock option plan	12.1	7.6	2.7
Finance income from group companies	12.1 and 14	6.5	2.0
Other operating income		-	0.1
Personnel expenses	12.1	(1.0)	(0.8)
Other operating expenses	12.1	(2.7)	(3.1)
Impairments of credits and receivables with group companies		(0.1)	(0.9)
Impairments of investments in group companies	6.1	(5.3)	(1.0)
Gains (losses) on disposal of investments in group companies		27.0	-
Results from operating activities	13	**35.1**	**7.4**
Finance expenses		(11.0)	(6.9)
Exchange rates gains and losses		(0.5)	2.2
Net finance income (expense)		**(11.5)**	**(4.7)**
Profit before income tax		**23.6**	**2.7**
Income tax expense	11	2.2	1.4
Profit for the period		25.8	4.1
Profit for the period		**25.8**	**4.1**

The accompanying notes 1-17 are an integral part of the Annual Accounts for 2019.

Statement of recognized income and expenses for the year ended 31 December 2019

	Notes	31 December 2019	31 December 2018
Profit for the period		**25.8**	**4.1**
Income from measurement of available-for-sale financial assets	6.3	31.7	1.9
Tax impact on adjustment in changes in value		(8.4)	
Total recognised income and expenses for the period		**49.1**	**6.0**

The accompanying notes 1-17 are an integral part of the Annual Accounts for 2019.

(all figures in EUR millions unless stated otherwise)

Statement of cash flows for the year ended 31 December 2019

	Notes	31 December 2019	31 December 2018
Cash flows from operating activities			
		23.6	**2.7**
Adjustments:		**(27.3)**	**(6.5)**
Impairment losses		5.4	1.9
Dividends from subsidiaries	12	(3.1)	(8.4)
Share based payments adjustment and	12	(7.6)	(2.7)
Gains / (losses) on disposal of investments in group companies		(27.0)	-
Finance income	12	(6.5)	(2.0)
Finance expenses	12 and 13	11.0	6.9
Exchange gains/losses	13	0.5	(2.2)
Changes in operating assets and liabilities		**(8.7)**	**6.8**
Trade and other receivables	6	9.2	6.3
Trade and other payables	6	(0.7)	0.1
Other current assets and liabilities		(17.2)	0.4
Other cash flows from operating activities		**(14.3)**	**(5.0)**
Interest paid		(10.1)	(7.1)
Interest received		2.2	0.1
Dividends received from subsidiaries	12	3.1	8.4
Income tax payment	11	(9.5)	(6.3)
Other		-	(0.1)
Net cash provided by operating activities		**(26.7)**	**(2.0)**
Cash flows from investing activities			
Increase in investments loans and borrowings with group companies	6	(64.8)	(252.4)
Proceeds from investment loans and borrowings with group companies	6	27.2	10.7
Investment in other financial assets	6	-	(25.0)
Increase in intangible assets		(0.1)	-
Net cash used in investing activities		**(37.7)**	**(266.7)**
Cash flows from financing activities			
Issue of equity instruments	8	-	69.0
Proceeds from disposals of own shares (employees options)	8	0.9	0.8
Acquisition of own shares (employees option)	8	(0.9)	(9.5)
Proceeds on issue debt securities and other financial instruments	6	67.0	273.8
Proceeds from debt with group companies	6 and 14	1.7	21.5
Repayment of debt with financial institutions	6	-	(20.0)
Repayment of debt with group companies	6	(17.7)	(3.8)
Redemption of debt securities	6	-	(64.6)
Net cash provided by/(used in) financing activities		**51.0**	**267.2**
Net change in cash and cash equivalents		**(13.4)**	**(1.5)**
Balance sheet change of cash and cash equivalents"		(13.4)	(1.5)
Cash and cash equivalents at the beginning of the period	**7**	**22.9**	**24.4**
Cash and cash equivalents as at the end of the period	**7**	**9.5**	**22.9**

The accompanying notes 1-17 are an integral part of the Annual Accounts for 2019.

(all figures in EUR millions unless stated otherwise)

Statement of changes in equity for the year ended 31 December 2019

	Share capital	Share premium	Legal Reserve	Voluntary Reserves	Treasury shares	Profit or loss for the period	Other equity instruments	Adjustment for changes in value	Total Equity
As at 31 December 2017	**0.2**	**189.1**	**-**	**21.4**	**(10.6)**	**10.6**	**(8.8)**	**(6.8)**	**195.1**
Total recognised income and expense	-	-	-	-	-	4.1	-	1.9	**6.0**
Share capital increase from share premium	21.0	(21.0)	-	-	-	-	-	-	-
Issue of share capital	0.8	69.2	-	(1.0)	-	-	-	-	69.0
Transactions on own shares and equity holdings (net) (See 8.4)	-	-	-	-	(4.6)	-	2.6	-	(2.0)
Transfer of profit or loss to reserves	-	-	1.1	9.5	-	(10.6)	-	-	**-**
As at 31 December 2018	**22.0**	**237.3**	**1.1**	**29.9**	**(15.2)**	**4.1**	**(6.2)**	**(4.9)**	**268.1**
Total recognised income and expense	-	-	-	-	-	25.8	-	23.3	49.1
Transactions on own shares and equity holdings (net) (See 8.4)	-	-	-	-	7.7	-	(19.2)	-	(11.5)
Transfer of profit or loss to reserves	-	-	0.4	3.7	-	(4.1)	-	-	-
Other equity movements	-	-	-	-	-	-	-	-	-
As at 31 December 2019	**22.0**	**237.3**	**1.5**	**33.6**	**(7.5)**	**25.8**	**(25.4)**	**18.4**	**305.7**

The accompanying notes 1-17 are an integral part of the Annual Accounts for 2019.

Notes to the Annual Accounts

1. General information

AmRest Holdings SE ("The Company", "AmRest") was incorporated in the Netherlands in October 2000 and since 2008 the Company operates as European Company (Societas Europaea, SE). As at 31 December 2019 the Company's registered office was Enrique Granados 6, 28224 Pozuelo de Alarcón (Madrid), Spain. On 28 February 2020 the Company's registered office was changed to Paseo de la Castellana, 163 28046 Madrid, Spain.

The main activity of the Company is the subscription, possession, exploitation, management and transfer of securities and shares of other companies, with the exemption of those subject to specific regulations.

The Company is the parent of a group in the terms established in article 42 section 2 of the Commercial Code and prepares its consolidated financial statements under IFRS. The Group operates Kentucky Fried Chicken ("KFC"), Pizza Hut, Burger King and Starbucks restaurants through its subsidiaries in Poland, the Czech Republic (hereinafter Czechia), Hungary, Slovakia, Russia, Serbia, Croatia, Bulgaria, Romania, Germany, France, Austria, Slovenia and Spain, on the basis of franchises granted. Starting from 1 October 2016 the Group as a master-franchisee has the right to grant a license to third parties to operate Pizza Hut Express and Pizza Hut Delivery restaurants (sub-franchise) in countries of Central and Eastern Europe, while ensuring a certain share of restaurants operated directly by AmRest. Pizza Hut restaurants acquired in France in May 2017, in Germany in July 2017 and in Russia in June 2018 are operated both by AmRest and its sub-franchisees based on master-franchise agreements.

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

In 2018 the Group acquired the Bacoa and Sushi Shop brands, as a result of which it operates own and franchise restaurants in Spain (Bacoa) and own and franchise restaurants among the others in France, Belgium, Spain, United Arab Emirates, Saudi Arabia, Switzerland, United Kingdom, Luxembourg, Italy, Germany, Portugal, the Netherlands. Bacoa is a Spanish premium burger chain, and Sushi Shop is the operator of the leading European chain of Japanese cuisine restaurants. On 27 April 2005, the shares of AmRest Holdings SE were quoted for the first time on the Warsaw Stock Exchange ("WSE") and on 21 November 2018 were quoted on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Spanish Automated Quotation System (Sistema de Interconexión Bursátil - SIBE). Since 21 November 2018 AmRest's shares have been quoted simultaneously on both above stock exchanges (dual listing).

As at 31 December 2019, FCapital Dutch B.V. is the largest shareholder of AmRest Holdings and held 67.05% of its shares and voting rights. The parent entity of the Group on the top level is Grupo Finaccess.

These annual accounts have been prepared and approved by the Company's Board of Directors on 28 February 2020. The Board of Directors considers that the annual accounts for 2019 will be approved with no changes by the shareholders at their annual general meeting.

Simultaneously, the Board of Directors has formulated the consolidated financial statements of AmRest Holdings SE and its Subsidiaries for the financial year 2019, which show consolidated profits of Euros 66.9 million and consolidated Equity of Euros 476.7 million (Euros 41.3 million and 430,6 million, respectively for the financial year 2018).

2. Basis of preparation

True and fair view

The Annual Accounts for 2019 have been prepared on the basis of the accounting records of AmRest Holdings SE by the Company's Board of Directors in accordance with the accounting principles and standards contained in the Spanish General Chart of Accounts, and other prevailing legislation, in order to give a true and fair view of the Company's equity and financial position as of 31 December 2019 and results of operations, changes in equity and cash flows for the year then ended 31 December 2019.

Aggregation of items

To facilitate the understanding of the balance sheet and profit and loss account, some items of these statements are presented in a grouped manner, with the required analyses presented in the corresponding notes of the report.

Comparative information

Each item of the balance sheet, the statement of profit and loss, the statement of changes in equity, the statement of recognized income and expenses, the statement of cash flow, and the notes of the annual accounts present for comparative purposes, the amounts from the previous financial year, which formed part of the annual accounts of the financial year ended 31 December 2018, approved by the Shareholders on 31 December 2018.

Functional and presentation currency

The annual accounts are presented in euros, which is the functional and presentation currency of the Company.

Critical aspects of the valuation and estimation of relevant uncertainties and judgments used in the application of accounting principles.

The preparation of the Annual Account requires the Company to use certain estimates and judgments regarding the future that are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable, under the circumstances.

The estimates and judgments more complex or with a higher impact in the carrying amounts of the assets and liabilities are related to:

- The recoverability of the investments, and the corresponding valuation adjustments for the difference between the book value and the recoverable amount. In the determination of the impairment estimate of these investments, the future cash flows expected to be generated by the investees are taken into account through the use of hypotheses based on the existing market conditions (see note 6).
- Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The Company initially measures the cost of cash-settled transactions with employees using a binomial model to determine the fair value of the liability incurred.

For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Company uses a finite difference method. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 9.

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

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

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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Likewise, despite the fact that the estimates made by the Board of Directors of the Company were calculated based on the best information available at 31 December 2019, it is possible that events which may occur in the future will make it necessary to modify them in later financial years. The effect on the standalone annual accounts deriving from the adjustments made in later financial years will be recorded prospectively.

(all figures in EUR millions unless stated otherwise)

3. Distribution of profit

The Board of Directors propose the following distribution of profits for the year ended 31 December 2019 and the shareholders approved the corresponding to 31 December 2018

	Year ended	
	31 December 2019	**31 December 2018**
Basis of Distribution		
Profit and loss for the period in EUR	25 793 482.33	4 076 128.90
Distribution		
Legal Reserve in EUR	2 579 348.23	407 612.90
Voluntary Reserves in EUR	23 214 134.10	3 668 516.00
	25 793 482.33	**4 076 128.90**

Dividends have not been distributed during the 12 months ended 31 December 2019 and 2018.

Details of non-distributable reserves as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Legal reserve	1.6	1.1

The Company's freely distributable reserves are nonetheless subject to legal limits, and dividends may not be distributed if equity would be less than share capital as a result.

4. Recognition and measurement accounting policies

The standalone annual accounts were prepared in accordance with the accounting principles and registration and valuation standards contained in the Spanish General Accountancy Plan. The most significant are:

4.1. FINANCIAL INSTRUMENTS

4.1.1. CLASSIFICATION AND SEPARATION OF FINANCIAL INSTRUMENTS

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Company classifies financial instruments into different categories based on the nature of the instruments and the Management's intentions at the time of their initial recognition.

Financial assets and financial liabilities are offset only when the Group has the right to offset the amounts received and it intends to settle the net amount or realise the asset and simultaneously cancel the liability.

4.1.2. TRADE AND OTHER NON-TRADE RECEIVABLES

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months from the balance sheet date that are classified as non-current assets. These financial assets are initially valued at their fair value, including transaction costs that are directly attributable to them, and subsequently at amortized cost, recognizing the accrued interest based on their effective interest rate and the discount rate that equals the value in books of the instrument with all its estimated cash flows until maturity. Notwithstanding the foregoing, loans for commercial transactions with maturity not exceeding one year are valued, both at the time of initial recognition and subsequently at their nominal value, provided that the effect of not updating the flows is not significant.

At least at the end of the year the necessary adjustments are made for impairment of value if there is evidence that the amounts owed will not be collected.

The amount of the impairment loss is the difference between the book value of the asset and the present value of the estimated future cash flows discounted at the effective interest rate at the time of initial recognition. The value of adjustments as well as their reversal, where appropriate, is recognized in the profit and loss account.

4.1.3. INVESTMENTS IN THE EQUITY OF GROUP COMPANIES

Group companies are those over which the Company, either directly or indirectly, through subsidiaries exercises control as defined in article 42 of the Spanish Code of Commerce or which the companies are controlled by one or more individuals or entities acting jointly or under the same management through agreements or statutory clauses. Control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. In assessing control, potential voting rights held by the Group or other entities that are exercisable or convertible at the end of each reporting period are considered.

Investments in group companies are valued at their cost, which is equivalent to the fair value of the consideration given, minus, where applicable, the accumulated amount of the adjustments for impairment of value. However, when there is an investment prior to qualification as a group, multi-group or associate company, the carrying amount of the investment is considered as investment cost before having that qualification. The previous valuation adjustments recorded directly in Equity are transferred to the income statement when the investment is disposed or when there is a loss or reversal of the impairment.

If an investment no longer qualifies for classification under this category, it is reclassified as available-for-sale and is measured as such from the reclassification date.

If there is objective evidence that the book value is not recoverable, the appropriate valuation adjustments are made for the difference between their book value and the recoverable amount, defined as the greater amount between their fair value less costs to sell and the value in use of the investment. Unless there is better evidence of the recoverable amount, in estimating the impairment of these investments, the net equity of the investee company is taken into account, adjusted for the capital gains existing on the valuation date. The value adjustment and, if applicable, its reversal is recorded in the profit and loss account for the year in which it occurs and presented in results from operating activities (as the possession of investments activities is considered part of the ordinary activity of a Holdings company).

Value in use is calculated based on the Company's share of the present value of future cash flows expected to be derived from ordinary activities and from the disposal of the asset, or the estimated cash flows expected to be received from the distribution of dividends and the final disposal of the investment.

Nonetheless, and in certain cases, unless better evidence of the recoverable amount of the investment is available, when estimating impairment of these types of assets, the investee's equity is taken into consideration, adjusted, where appropriate, to generally accepted accounting principles and standards in Spain, corrected for any net unrealized gains existing at the measurement date.

The carrying amount of the investment includes any monetary item that is receivable or payable for which settlement is neither planned nor likely to occur in the foreseeable future, excluding trade receivables or trade payables.

4.1.4 NON-MONETARY CONTRIBUTIONS IN EXCHANGE FOR INVESTMENTS IN THE EQUITY OF OTHER GROUP COMPANIES

The equity instruments received in exchange of non-monetary contributions of investments in group companies, are valued at the book value of the assets delivered in the individual annual accounts of the contributor, on the date the transaction is carried out, or at the amount representative of the equity percentage of the business contributed, if this is greater.

4.1.5. FINANCIAL ASSETS AVAILABLE-FOR-SALE

The company classify Financial Investments in equity instruments that intends to hold for an unspecified period and that do not comply with the requirements to be classified in other categories of financial assets as financial assets available-for-sale. These investments are recorded under "Non-current assets," unless it is probable and feasible that they will be sold within 12 months.

They are initially measured at fair value; which in the absence of evidence to the contrary is the transaction price plus directly attributable transaction cost.

Financial assets available-for-sale are subsequently measured at fair value, without deducting any transaction costs incurred on disposal. Changes in fair value are accounted for directly in equity until the financial asset is derecognized or impaired, and subsequently recognized in the income statement.

4.1.6. INTEREST AND DIVIDENDS FROM FINANCIAL ASSETS

Interest and dividends accrued on financial assets after acquisition shall be recognized as revenue. Interest shall be accounted for using the effective interest rate method, while dividends shall be recognized when the equity holder's right to receive payment is established.

Upon initial measurement of financial assets, accrued explicit interest receivable at the measurement date shall be recognized separately, based on maturity. Dividends declared by the pertinent body at the acquisition date shall also be accounted for separately. "Explicit interest" is the interest obtained by applying the financial instrument's contractual interest rate.

If distributed dividends are clearly derived from profits generated prior to the acquisition date because the amounts that have been distributed are higher than the profits generated by the investment since acquisition, the difference shall be accounted for as a deduction in the carrying amount of the investment and shall not be recognized as income.

4.1.7. DEBT AND TRADE AND OTHER PAYABLES

Financial liabilities included in this category shall initially be measured at fair value. In the absence of evidence to the contrary, this shall be the transaction price, which is equivalent to the fair value of the consideration received, adjusted for directly attributable transaction costs. Nonetheless, trade payables falling due within one year for which there is no contractual interest rate and called-up equity holdings expected to be settled in the short term can be measured at their nominal amount provided that the effect of not discounting the cash flows is immaterial.

The financial liabilities included in this category shall subsequently be measured at amortized cost. Accrued interest shall be recognized in the income statement using the effective interest rate method.

Payables falling due within one year initially measured at the nominal amount, in accordance with the preceding section, shall continue to be measured at that amount.

4.1.8. OWN EQUITY INSTRUMENTS

In transactions carried out by the Company with its own equity instruments, the amount of these instruments shall be recognized in equity as a change in capital and reserves without valuation adjustments. Under no circumstances may it be accounted for as a financial asset of the Company and no profit or loss may be recognized in the income statement. Expenses arising on these transactions, including costs incurred on issuing the instruments such as lawyer, notary and registrar fees, printing of prospectuses, bulletins and securities, taxes, advertising, commissions and other placement expenses – shall be accounted for directly in equity as a reduction in reserves.

The subsequent amortization of these instruments leads to a capital reduction by the nominal amount of the shares and the positive or negative difference between the purchasing cost and the nominal cost of the shares are accounted in reserves.

4.1.9. OFFSETTING PRINCIPLES

A financial asset and a financial liability are offset only when the Company currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4.1.10. DERECOGNITION OF FINANCIAL ASSETS

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Debt or equity instruments that form part of portfolios of similar instruments that have the same rights are measured and derecognised at weighted average cost.

4.2. CASH AND CASH AND EQUIVALENTS

Cash and cash equivalents include cash in hand and sight bank deposits in credit institutions. Under this heading are also included under other highly liquid short-term investments provided that are easily convertible into cash and are subject to an insignificant risk of changes in value. For this purpose, investments with maturities of less than three months from the date of acquisition are included.

The Company recognizes cash payments and receipts for financial assets and financial liabilities in which turnover is quick on a net basis in the statement of cash flows. Turnover is considered to be quick when the period between the date of acquisition and maturity does not exceed six months.

In the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognized in the balance sheet as financial liabilities arising from loans and borrowings.

4.3. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions have been translated to the functional currency using the spot exchange rate applicable at the transaction date.

Monetary assets and liabilities denominated in foreign currencies have been translated to the functional currency at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date.

Non-monetary assets measured at fair value have been translated to the functional currency at the spot exchange rate at the date that the fair value was determined.

In the statement of cash flows, cash flows from foreign currency transactions have been translated to Euros at the average exchange rate for the year.

The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognized separately in the statement of cash flows as effect of exchange rate fluctuations.

Exchange gains and losses arising on the settlement of foreign currency transactions and on translation to the functional currency of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

4.4. INCOME TAX

The income tax comprises the current income tax and the income deferred tax.

Current and deferred taxes are recognized as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different year, directly in equity, or from a business combination.

Current tax assets and liabilities are valued for the amounts that are expected to be paid or recovered by the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

The Company as the representative of the tax group, and the Spanish subsidiaries file consolidated tax return (see note 11).

In addition to the factors to be considered for individual taxation, set out previously, the following factors are taken into account when determining the accrued income tax expense for the companies forming the consolidated tax group:

- Temporary and permanent differences arising from the elimination of profits and losses on transactions between Group companies, derived from the process of determining consolidated taxable income.

- Deductions and credits corresponding to each company forming the consolidated tax group. For these purposes, deductions and credits are allocated to the company that carried out the activity or obtained the profit necessary to obtain the right to the deduction or tax credit.

Temporary differences arising from the elimination of profits and losses on transactions between tax group companies are allocated to the company which recognized the profit/loss and are valued using the tax rate of that company.

A reciprocal credit and debit arise between the companies that contribute tax losses to the consolidated Group and the rest of the companies that offset those losses. Where a tax loss cannot be offset by the other consolidated group companies, these tax credits for loss carryforwards are recognized as deferred tax assets using the applicable recognition criteria, considering the tax group as a taxable entity.

The Company records the total consolidated income tax payable (recoverable) with a debit (credit) to receivables (payables) from/to group companies and associates.

The amount of the debt (credit) relating to the subsidiaries is recognized with a credit (debit) to payables (receivables) to/from group companies and associates.

Deferred tax liabilities are calculated according to the liability method, on the temporary differences that arise between the tax bases of the assets and liabilities and their book values. However, if the deferred tax liabilities arise from the initial recognition of a goodwill or an asset or a liability in a transaction other than a business combination that at the time of the transaction does not affect either the accounting result or the taxable basis of the tax, they are not recognized.

Deferred tax assets are recognized to the extent that it is probable that future tax profits will be available to offset the temporary differences. Deferred tax assets are recognized on temporary differences that arise in investments in subsidiaries, associates and joint ventures, except in those cases in which the Company can control the timing of the reversal of the temporary differences and it is also probable that these will not reverse in a foreseeable future.

The deferred tax assets and liabilities are determined by applying the regulations and tax rates approved or about to be approved on the date of the balance sheet and which is expected to be applied when the corresponding deferred tax asset is realized, or the deferred tax liability is settled.

4.5. REVENUES RECOGNITION

The amounts related to income derived from equity investments in group companies are an integral part of the net amount of the turnover of a holding company. Based on the provisions of consultation B79C02 of the Institute of Auditors and Censors of September 2009, therefore the result on the execution of stock option plan by employees, interest and dividends received from subsidiaries are presented in the revenue of the Company.

4.6. PROVISIONS AND CONTINGENCIES

Provisions are recognized when the Company has a present obligation, whether legal, contractual, implicit or tacit, as a result of past events, and it is probable that an outflow of resources will be necessary to settle the obligation and the amount can be estimated reliably. Restructuring provisions include penalties for cancellation of the lease and payments for dismissal to employees. No provisions are recognized for future operating losses.

Provisions recognized in the balance sheet correspond to the best estimation on the date of close of the payments necessary to cancel the present obligation, after considering the risks and uncertainties related to the provision and, if it is significant, the financial effect of the discount, provided that the payments to be made in each period can be reliably determined. The adjustments in the provision due to its update are recognized as a financial expense as they are accrued.

Provisions with maturity less than or equal to one year, with a non-significant financial effect, are not discounted.

When it is expected that part of the disbursement necessary to settle the provision is reimbursed by a third party, the reimbursement is recognized as an independent asset, provided that its reception is practically certain. The reimbursement is recognized as income in the income statement of the nature of the expenditure up to the amount of the provision.

On the other hand, contingent liabilities are those possible obligations arising because of past events, the materialization of which is conditional on the occurrence or non-occurrence of one or more future events independent of the Company's will.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed.

4.7. SHARE-BASE PAYMENTS

Share-based payments and employee benefits recognition for the benefit plans of the Company's employees

Share-based payments

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

Equity-settled transactions

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

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

Cash-settled transactions

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

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

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

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

Recognition of the share-based plans correspondent to employees of other group companies

In the parent company books the operation represents a contribution to the subsidiary that is made effective through the personnel service it receives in exchange for the equity instruments of the parent company the options delivered represents in general a greater value of the investment that the parent company has in the equity of the subsidiary.

According to consultation nº2 of the BOICAC 97/2014 when the parent company sign settlement agreements (Share transfer agreements) through which the parent company charge the intrinsic value of the cost of the agreement equivalent to the market value of the shares delivered, it is considered that there are two separated operations:

- A non-genuine corporate operation of contribution of the parent company in the subsidiary that is registered as a higher value of the investment according to consultation nº 7 of BOICAC Nº 75/2008

- And a second corporate operation of distribution or recovery of the investment that is equivalent to difference between the re-charge described above and the cost of the options at grant

4.8. TRANSACTIONS BETWEEN RELATED PARTIES

In general, transactions between group companies are initially accounted for at their fair value. If the agreed price differs from its fair value, the difference is recorded according to the economic reality of the operation. The subsequent evaluation is carried out in accordance with the provisions of the corresponding regulations.

The Company carries out all its operations with Group companies, entities and parties linked to market values. In addition, the transfer prices are adequately supported, which is why the Company's Board of Directors consider that there are no significant risks in this respect from which future liabilities could arise.

5. Financial Risk Management

5.1. FINANCIAL RISK FACTORS

The Company's activities are exposed to various financial risks. The Company's global risk management program focuses on the uncertainty of the financial markets and tries to minimize the potential adverse effects on its financial profitability.

- Currency risk:

The results of the Company are exposed to currency risk related to transactions and translations into currencies other than Euro (Polish Zloty (PLN) and US Dollar (USD), mostly). The exposure to foreign currency cash flow risk is not hedged as there is no significant impact on cash flows.

- Risk of increased financial costs:

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

- Liquidity risk

The Company is exposed to the risk of lack of financing at the moment of maturity of bank loans and bonds. The Company's approach in managing liquidity risk is to guarantee as far as possible that liquidity will always be available to pay its debts before they mature, in normal conditions and during financial difficulties, without incurring unacceptable losses or compromising the Company's reputation. As at 31 December 2019, the company had enough short-term assets, including cash and promised credit limits, to fulfil is liabilities due in the next 12 months.

- Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions and balances with Group Companies, including pending receivables and committed transactions.

In general, the Company maintains its treasury and equivalent liquid assets in financial entities with a high credit rating and of recognized prestige.

(all figures in EUR millions unless stated otherwise)

6. Financial instruments

6.1. EQUITY INSTRUMENTS

The value of the shares owned by the Company in its subsidiaries as at 31 December 2019 and as at 31 December 2018 is as follow:

	31 December 2019		31 December 2018		
	Interest ownership	Value of Shares	Interest ownership	Value of Shares	Dividends received in 2019
AmRest Sp. z o.o. (Poland)	100%	217.2	100%	216.4	-
AmRest China Group PTE Ltd. (China)	100%	40.4	100%	40.3	-
AmRest s.r.o. (Czech Republic)	100%	6.7	100%	7.2	3.1
AmRest France SAS (France)	100%	58.5	100%	58.1	-
Restaurant Partner Polska Sp. z o.o.	0%	-	51%	5.5	-
AmRest EOOD (Bulgaria)	100%	3.5	100%	3.4	-
AmRest Acquisition Subsidiary (Malta)	100%	60.8	100%	60.8	-
AmRest Food SRL	100%	0.1	-	-	-
		387.2		**391.7**	**3.1**

The movement of the equity instruments in group companies as at 31 December 2019 is as follow:

	31 December 2018	Increase	Decrease	Reclassifications	31 December 2019
Cost					
AmRest Sp. z o.o. (Poland)	216.4	6.0	(2.7)	(2.4)	217.3
AmRest HK Ltd	5.2	-	-	-	5.2
AmRest China Group PTE Ltd. (China)	40.3	0.1	-	-	40.4
AmRest s.r.o. (Czechia)	7.2	0.3	(0.1)	(0.7)	6.7
AmRest France SAS	58.1	0.4	-	-	58.5
Restaurant Partner Polska Sp. z o.o.	5.9	5.2	(10.7)	(0.4)	0.0
AmRest EOOD (Bulgaria)	3.4	0.1	-	-	3.5
AmRest Acquisition Subsidiary (Malta)	60.8	-	-	-	60.8
AmRest FSVC LLC	3.7	5.8	(2.2)	3.2	10.5
	401.0	**17.9**	**(15.7)**	**(0.3)**	**402.9**
Call up Capital					
Restaurant Partner Polska Sp. z .o.o.	(0.4)	-	-	0.4	-
	(0.4)	**-**	**-**	**0.4**	**-**
Impairment					
AmRest HK Ltd	(5.2)	-	-	-	(5.2)
AmRest FSVC LLC	(3.7)	(5.3)	-	(1.5)	(10.5)
	(8.9)	**(5.3)**	**-**	**(1.5)**	**(15. 7)**
Total Equity instruments in Group companies	**391.7**	**12.6**	**(15.7)**	**(1.4)**	**387.2**

(all figures in EUR millions unless stated otherwise)

- On 13 March 2019 AmRest Holdings SE (the buyer) has acquired to Delivery Hero SE (the Seller) the remaining 49% of Restaurant Partner Polska Sp. z o.o. shares. The purchase price of this transaction was EUR 5.2 million.

- On 13 August 2019 was signed the Sale and Purchase and Contribution Agreement on the 100% of the shares in Restaurant Partner Polska Sp. z o.o. between AmRest Holdings SE and GlovoAPP23, S.L. ("Glovo") for a total transaction price of EUR 35 million including an earn-out as the price conditions have been met. On 28 October 2019 AmRest Holdings SE lost control over Restaurant Partner Polska Sp. z o.o. In consideration for the transfer of 100% of shares in Restaurant Partner Polska Sp. z o.o. ("PizzaPortal") AmRest Holdings received total sale price in the amount of EUR 35 million, as a combination of cash payment of EUR 20 million, which was repaid in January 2020 (see note 6.4), and newly issued shares of Glovo whose fair value amounted EUR 17.7 million, which constitutes final settlement of the Agreement (see note 6.3). The equity instruments transferred to Glovo had a book value of EUR 10.7 million at the Sale and Purchase Agreement's date what produced a gain on disposal of equity instruments of EUR 27 million.

- On 23 May 2019 the company paid EUR 0,3 million to Top Brands NV (previous owners of Pizza Hut France) as adjustment to price as per the conditions established in the SPA dated on 24 January 2017.

- During the year 2019 the company passed several capital increases resolutions in the entity AmRest FSVC LLC up to an amount of EUR 0.6 million. The total amount of these capital increases was impaired as at 31 December 2019.

On 13 August 2019 the total amount of receivables held by AmRest Holdings SE with AmRest FSVC LLC (EUR 5,2 million) was converted into capital. This amount is fully impaired as at 31 December 2019.

- The value of investment of some subsidiaries was affected by the valuation and exercises of share-based options within SOP and MIP. The total capitalized cost of share option plans in 2019 equals EUR 6.6 million and it is presented in the column increase. The total amount that refers to exercised option in 2019 EUR 5.0 million is presented in the column decrease. The details by subsidiaries for the year ended as of 31 December 2019 is presented below:

	Incrrease	**Decrease**
Cost		
AmRest Sp. z o.o. (Poland)	6.0	2.7
AmRest China Group PTE Ltd. (China)	0.1	-
Amrest SRO (Czechia)	0.3	0.1
AmRest France SAS	0.1	-
AmRest FSVC LLC	0.1	2.2
	6.6	**5.00**

(all figures in EUR millions unless stated otherwise)

The movement of the equity instruments in group companies as at 31 December 2018

	31 December 2017	Increase	Decrease	31 December 2018
Cost				
AmRest Sp. z o.o. (Poland)	213.6	5.9	(3.1)	216.4
AmRest HK Ltd	5.2	-	-	5.2
AmRest China Group PTE Ltd. (China)	40.3	-	-	40.3
AmRest SRO (Czechia)	6.6	0.8	(0.2)	7.2
AmRest OPCO SAS	15.2	30.0	(45.2)	-
AmRest Topco SAS	12.9	-	(12.9)	-
AmRest France SAS	-	58.1	-	58.1
Restaurant Partner Polska Sp. z o.o.	4.3	1.6	-	5.9
AmRest EOOD (Bulgaria)	3.4	-	-	3.4
AmRest Acquisition Subsidiary (Malta)	35.4	25.4	-	60.8
AmRest FSVC LLC	2.7	1.0	-	3.7
	339.6	**122.8**	**(61.4)**	**401.0**
Call up Capital				
Restaurant Partner Polska Sp. z o.o.	(1.1)	(0.4)	1.1	(0.4)
AmRest OPCO SAS	(4.5)	-	4.5	-
	(5.6)	**(0.4)**	**5.6**	**(0,4)**
Impairment				
AmRest HK Ltd	(5.2)	-	-	(5.2)
AmRest FSVC LLC	(2.7)	(1.0)	-	(3.7)
	(7.9)	**(1.0)**	**-**	**(8.9)**
Total Equity instruments in Group companies	**326.1**	**127.4**	**(61.8)**	**391.7**

During the year 2018 the company made the following transactions:

- On 6 June 2018 the Company passed a resolution of capital increase in Restaurant Partners Polska Sp. z o.o. by PLN 7.0 million (EUR 1.6 million) of which PLN 4.0 million (EUR 0.9 million) were paid in June 2018 and PLN 1.5 million (EUR 0.35 million) in October 2018.

-On 23 October 2018 and 20 November 2018, the Company passed resolutions of share capital increase in AmRest Acquisition Subsidiary by EUR 23.0 million and EUR 2.4 million respectively, which were fully paid in cash.

-On 19 November 2018 the Company passed a resolution of share capital increase in AmRest Opco SAS in amount of EUR 30.0 million which has been fully paid as at 31 December 2019.

- On 13 December 2018 AmRest Holdings SE executed the contribution of shares of AmRest Opco and AmRest Topco in the newly incorporated company AmRest France SAS. The contribution was made at the net book value of the investment in the subsidiaries as of the date of the signature of the transfer of shares.

-The value of investment in AmRest Sp. z o.o. and AmRest SRO was affected by the valuation and exercises of share-based options within SOP and MIP. The total capitalized cost of share option plans in 2018 equals EUR 6.7 million increasing the value of investments in mentioned entities by EUR 5.9 million and EUR 0.8 million respectively. The total amount of investments that refers to exercised option in 2018 equals EUR 3.3 million decreasing the value of investments in mentioned entities by EUR 3.1 million and EUR 0.2 million respectively.

(all figures in EUR millions unless stated otherwise)

-During the year 2018 the company passed several capital increases resolutions in the entity AmRest FSVC LLC up to an amount of EUR 1.0 million. The total amount of these capital increases were impaired as at 31 December 2019.

Impairment test of Equity Investment in group companies:

To estimate the potential impairment of the Company's investments in group companies and given that the fair value of these investments is not traded in an active market, this is determined using valuation techniques. The Company uses judgment to select a variety of methods and make assumptions that are based primarily on market conditions existing at the balance sheet date.

The Company considers that there are indications of impairment in its investees if the net book value of the investment exceeds the theoretical book value of the equity of the investee. Additionally, other considerations decrease in the activity of the investees or other situations that could indicate signs of deterioration in the companies.

The principal hypothesis considered in the impairment tests are the following:

- Expected increase in operating income excluding amortization expenses: The growth in operating income excluding amortization expenses is based on the projections estimated by the Management based on the evolutions estimated in the various strategic business plans for the next five years.

- Discount rates: Reflect the evolution of the market with respect to the specific risks of each cash-generating unit, considering the time value of money. The discount rate is based on the specific circumstances of the company and its operating segments and is a consequence of its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of net worth is based on the expected return on investments made by the investors of the Company. On the other hand, the cost of the debt is based on the interest rates of the loans that the Company is obliged to repay. The specific risk of the segment is incorporated by applying individual beta factors, which are evaluated annually based on market data. Discounts rates applied in the table below:

	Implied pre-tax discount rate year 2019	Implied pre-tax discount rate year 2018
Poland	7.1%	8.88%
Russia	11.9%	18.71%
Bulgaria	5.9%	6.94%
France	5.5%	7.34%
China	8.4%	10.07%

The Company prepared impairment testing for its investments in AmRest Subsidiary (Malta and owner of Russian business), AmRest EOOD (Bulgaria), AmRest France SAS and AmRest China PTE Ltd.

There were no conditions for testing of investments in other companies.

The Weighted budgeted average EBITDA Margin used in the impairment test was as follow:

Weighted average budgeted EBITDA margin	2019	2018
Russia	12,65%	14.6%
Poland – Pizza Portal	N/A	15.6%
China	12,48%	12.2%
Bulgaria	14,63%	14.5%
France – KFC	N/A	10.8%

The test resulted in non-impairment expense to be booked. The Company registered impairment of the total amount of its investments in AmRest HK and AmRest FSVC LLC because of negative cash flows generated by both entities.

(all figures in EUR millions unless stated otherwise)

The Details of the subsidiaries of the group are presented below:

Company name	Registered office	2019				2018			
Holding activity		**Total Equity**	**Net result**	**Operating result**	**Dividends distributed**	**Total Equity**	**Net result**	**Operating result**	**Dividends distributed**
AmRest Acquisition Subsidiary Ltd.	Birkirkara Malta	102.6	(0.1)	(0.1)	-	102.7	-	-	-
AmRest TAG S.L.U*	Madrid Spain	279.0	3.7	2.9	-	220.4	17.2	18.5	-
AmRestavia S.L.U. *	Madrid Spain	-	-	-	-	12.6	(3.2)	(2.8)	-
Restauravia Grupo Empresarial S.L. *	Madrid Spain	-	-	-	-	50.3	22.7	22.9	(2-)
AmRest HK Ltd	Hong Kong China	-	-	-	-	-	-	-	-
AmRest China Group PTE Ltd	Singapore	9.7	(0.5)	(0.2)	-	10.2	(0.5)	(0.1)	-
New Precision Ltd	Apia Samoa	0.4	(-)	(-)	-	0.4	(-)	-	-
Horizon Group Consultants	Road Town British Virgin Islands	0.2	(-)	(-)	-	0.2	(-)	(-)	-
GM Invest SRL	Bruxelles Belgium	7.2	(-)	-	-	7.1	0.2	(-)	-
Sushi Shop Group SAS	Paris France	13.2	3.4	4.0	-	84.5	(8.9)	5.2	-
AmRest France SAS	Paris France	58.1	14.1	12.9	-	58.1	-	-	-
Sushi Shop Management SAS	Paris France	0.4	3.1	4.9	-	(8.4)	(12.6)	(2.7)	-
Sushi Shop Belgique SA	Bruxelles Belgium	(-)	(-)	(-)	-	3.3	(-)	(-)	-
Sushi Shop Holding USA LLC	Dover Kent USA	0.1	-	-	-	0.1	(0.1)	0.1	-
Sushi Shop Luxembourg SARL	Luxembourg	4.2	(-)	(-)	-	3.6	(-)	(-)	-
Sushi Shop Switzerland SA	Fribourg Switzerland	(-)	1.7	(0.1)	-	1.4	1.5	3.4	-
Restaurant, franchise and master-franchise activity		**Total Equity**	**Net result**	**Operating result**	**Dividends distributed**	**Total Equity**	**Net result**	**Operating result**	**Dividends distributed**
AmRest Sp. z o.o.	Wroclaw Poland	384.8	16.0	28.9	158.3	364.9	7.0	21.7	-
AmRest s.r.o.	Prague Czechia	27.0	13.0	17.9	3.1	16.9	13.1	17.8	(8.4)
AmRest Kft	Budapest Hungary	43.9	7.4	6.0	23.4	37.5	4.5	5.0	-
AmRest Coffee Sp. z o.o.	Wroclaw Poland	8.3	(1.7)	(1.6)	28.1	9.8	(3.3)	(3.3)	-
AmRest EOOD	Sofia Bulgaria	3.3	0.4	0.3	7.2	2.8	0.1	0.1	-
OOO AmRest	Saint Petersburg Russia	50.9	2.1	1.1	47.7	43.0	(2.5)	(0.1)	-
AmRest Coffee s.r.o.	Prague Czechia	21.7	4.6	5.6	11.5	15.7	3.2	4.0	-
AmRest Kávézó Kft	Budapest Hungary	5.1	1.1	1.1	5.0	4.1	0.3	0.3	-
AmRest d.o.o.	Belgrade Serbia	-	(-)	(-)	-	-	-	-	-
Restauravia Food S.L.U.	Madrid Spain	21.6	1.0	1.8	6.7	20.5	2.2	3.2	-
Pastificio Service S.L.U.	Madrid Spain	33.0	24.4	15.7	-	8.6	26.5	35.6	(18.0)
AmRest Adria d.o.o.	Zagreb Croatia	0.9	(0.1)	(0.1)	-	-	-	-	-
AmRest GmbH i.L.1	Cologne Germany	(13.0)	(0.3)	-	4.3	(12.7)	(0.3)	-	-
AmRest SAS	Lyon France	(1.4)	(1.6)	(1.6)	4.7	1.4	(1.9)	(2.0)	-
Frog King Food&Beverage Management Ltd	Shanghai China	2.2	(0.3)	(0.4)	0.2	2.5	0.2	0.2	-
Blue Frog Food&Beverage Management Ltd	Shanghai China	18.7	4.4	6.1	16.0	14.4	1.5	2.2	-
Shanghai Kabb Western Restaurant Ltd	Shanghai China	(1.6)	(0.3)	(0.2)	0.2	(1.4)	(0.3)	(0.3)	-

(all figures in EUR millions unless stated otherwise)

Restaurant, franchise and master-franchise activity		**Total Equity**	**Net result**	**Operating result**	**Dividends distributed**	**Total Equity**	**Net result**	**Operating result**	**Dividends distributed**
AmRest Skyline GMBH	Cologne Germany	(0.4)	(0.4)	(0.4)	0.9	(-)	(0.4)	(0.4)	-
Kai Zhen Food and Beverage Management (Shanghai) Ltd	Shanghai China	0.4	0.2	0.2	-	0.2	0.2	0.3	-
AmRest Coffee EOOD	Sofia Bulgaria	2.7	0.3	0.2	5.6	2.4	0.1	0.1	-
AmRest Coffee S.r.l.	Bucharest Romania	917.6	339.4	337.3	3.0	6.7	2.7	2.7	1.7
AmRest Food Srl.	Bucharest Romania	1.0	(46.6)	(45.4)	-	-	-	-	-
AmRest Coffee Deutschland	Munich Germany	(13.0)	2.4	3.1	(22.1)	(17.8)	(1.7)	5.3	-
AmRest DE Sp. z o.o. & Co. KG	Berlin Germany	21.6	18.1	14.1	(3.0)	3.5	3.7	5.9	-
The Grill Concept S.L.U.	Madrid Spain	1.1	(2.5)	(3.2)	-	0.7	(1.1)	(1.5)	-
Kai Fu Food and Beverage Management (Shanghai) Co. Ltd	Shanghai China	(0.1)	0.2	0.2	-	(0.3)	(0.2)	(0.3)	-
LTP La Tagliatella Portugal Lda	Lisbon Portugal	(0.5)	(0.5)	(0.5)	1.0	(0.1)	(0.6)	(0.5)	-
AmRest AT GmbH	Vienna Austria	1.2	(99.6)	(88.1)	1.2	1.2	(0.8)	(0.8)	-
AmRest Topco France SAS	Paris France	20.7	(0.8)	(0.5)	1-	20.7	(1.7)	(1.6)	-
AmRest Delco France SAS	Paris France	1.3	(6.3)	(4.4)	0.5	1.3	(4.5)	(2.7)	-
AmRest Opco SAS 3	Paris France	44.8	(0.8)	3.2	45.0	45.3	0.8	1.5	-
OOO Chicken Yug	Saint Petersburg Russia	766.7	318.0	365.3	1.1	3.9	2.4	3.0	-
OOO Pizza Company 5	Saint Petersburg Russia	(314.9)	(39.2)	(44.2)	3.0	0.8	(2.4)	(3.0)	-
AmRest Chamnord SAS	Paris France	1.1	0.1	-	-	1.1	0.1	-	-
AmRest SK s.r.o.	Bratislava Slovakia	0.3	0.6	0.6	-	-	-	-	-
AmRest Pizza GmbH	Munich Germany	(0.2)	(-)	(0.1)	(-)	(0.2)	(0.1)	(0.2)	-
Black Rice S.L.U.	Madrid Spain	60.3	-	-	-	-	-	-	-
Bacoa Holding S.L.U.	Madrid Spain	-	-	-	-	7.4	0.5	1.9	-
Sushi Shop Restauration SAS *	Paris France	(10.3)	(1.9)	3.8	-	-	-	-	-
Sushiga SARL	Paris France	(1.8)	(-)	(-)	-	(-)	(-)	(-)	-
SSW 1 SPRL	Waterloo Belgium	0.2	-	(-)	-	0.4	0.2	0.2	-
SSW 2 SPRL	Wavre Belgium	0.4	-	(0.2)	-	(0.2)	(0.2)	(0.2)	-
Sushi House SA	Luxembourg	(0.3)	0.2	0.4	0.1	4.7	0.1	0.4	-
Sushi Sablon SA	Bruxelles Belgium	1.6	(0.2)	(0.2)	0.2	(0.2)	(0.2)	(0.2)	-
Sushi Shop London Pvt LTD	London UK	(0.5)	(0.5)	(0.3)	-	(1.6)	(0.6)	(0.1)	-
Sushi Shop Louise SA	Bruxelles Belgium	(1.1)	(0.4)	(0.4)	0.5	1.6	(0.4)	(0.3)	-
Sushi Shop UK Pvt LTD	Charing UK	(0.2)	(0.2)	(0.3)	-	(0.9)	(0.3)	(0.2)	-
Sushi Uccle SA	Uccle Belgium	(0.9)	(0.1)	(0.1)	0.2	0.2	(0.2)	(0.1)	-
Sushi Shop Anvers SA	Bruxelles Belgium	-	(0.4)	(0.3)	0.1	(1.8)	(0.4)	(0.3)	-
Sushi Shop Geneve SA	Geneva Switzerland	-	0.6	0.9	0.1	1.0	(2.8)	(2.4)	-
Sushi Shop Lausanne SARL	Lasanne Switzerland	0.2	0.7	0.9	-	1.0	0.5	0.9	-
Sushi Shop Madrid S.L. 7	Madrid Spain	(0.2)	(1.0)	(0.2)	-	0.3	-	0.1	-
Sushi Shop Milan SARL	Milan Italy	0.3	-	0.1	-	(0.4)	(-)	0.1	-
Sushi Shop NE USA LLC	New York USA	-	-	-	0.1	-	(1.3)	0.2	-
Sushi Shop NY1	New York USA	-	-	-	-	-	3.5	0.2	-
Sushi Shop NY2	New York USA	-	-	-	-	-	1.8	(-)	-

(all figures in EUR millions unless stated otherwise)

Restaurant, franchise and master-franchise activity		**Total Equity**	**Net result**	**Operating result**	**Dividends distributed**	**Total Equity**	**Net result**	**Operating result**	**Dividends distributed**
Sushi Shop International SA	Bruxelles Belgium	0.2	(0.4)	(0.4)	0.1	(0.5)	(0.3)	(0.3)	-
Sushi Shop Zurich GMBH	Zurich Switzerland	-	(0.2)	(-)	-	(1.4)	(0.4)	(0.2)	-
		Total Equity	**Net result**	**Operating result**	**Dividends distributed**	**Total Equity**	**Net result**	**Operating result**	**Dividends distributed**
Sushi Shop Nyon SARL	Nyon Switzerland	0.1	0.2	0.4	-	(-)	(-)	-	-
Sushi Shop NL B.V.	Amsterdam Netherlands	-	(0.5)	(0.4)	-	-	-	-	-
Financial services and others for the Group		**Total Equity**	**Net result**	**Operating result**	**Dividends distributed**	**Total Equity**	**Net result**	**Operating result**	**Dividends distributed**
AmRest LLC	Wilmington, USA	(6.3)	5.9	(-)	-	(6.1)	5.7	-	-
AmRest Capital Zrt	Budapest Hungary	-	-	-	-	249.6	4.6	(1.0)	-
AmRest Work Sp. z o.o.	Wroclaw Poland	0.2	(-)	-	-	0.2	(-)	(-)	-
La Tagliatella International Kft		28.2	(0.1)	(0.1)	-	0.3	(-)	(-)	-
La Tagliatella SAS	Lyon France	0.1	-	-	-	0.2	(0.3)	(0.3)	-
AmRest FSVC LLC	Wilmington USA	9.6	(10.6)	(4.8)	-	3.6	(5.6)	(2.3)	-
AmRest Kaffee Sp. z o.o.	Wroclaw Poland	4.7	(0.2)	4.4	-	4.7	(2.5)	-	-
AmRest Estate SAS	Paris France	2.6	0.4	0.6	-	(0.1)	2.7	0.5	-
AmRest Leasing SAS	Paris France	(1.1)	0.1	-	-	(0.9)	(0.2)	(-)	-
AmRest Franchise Sp. z o.o.	Wroc?aw Poland	-	0.2	0.3	-	-	-	-	-
Supply services for restaurants operated by the Group		**Total Equity**	**Net result**	**Operating result**	**Dividends distributed**	**Total Equity**	**Net result**	**Operating result**	**Dividends distributed**
SCM Sp. z o.o.	Warsaw Poland	6.2	3.5	4.1	1.2	1.6	1.9	-	-

Above data were derived from local documentation of AmRest Group in accordance with local GAAPS in each country. In some countries local audits for 2019 have not finalized.

*See details in note 14

6.2 ASSETS AND LIABILITIES IN FOREIGN CURRENCIES:

The value of assets and liabilities denominated in foreign currency as at 31 December 2019 are presented below:

Millions of EUR	Denominated in PLN	Denominated in USD
Assets foreign currency		
Total non-current assets foreign currency	-	13.2
Total current assets foreign currency	1.4	1.3
Total assets foreign currency	**11.4**	**14.5**
Liabilities foreign currency		
Total non-current liabilities foreign currency	252.0	-
Total current liabilities foreign currency	28.4	-
Total liabilities foreign currency (see note 6.5)	**280.4**	-

The value of assets and liabilities denominated in foreign currency as at 31 December 2018 are presented below:

Millions of EUR	Denominated in PLN	Denominated in USD
Assets Foreign Currency		
Total non-current assets Foreign Currency	-	10.0
Total current assets Foreign Currency	1.6	1.3
Total assets Foreign Currency	**1.6**	**11.3**
Liabilities Foreign Currency		
Total non-current liabilities Foreign Currency	280.0	-
Total current liabilities Foreign Currency	0.3	-
Total liabilities Foreign Currency	**280.3**	-

6.3. CURRENT AND NON-CURRENT FINANCIAL ASSETS (EXCLUDING EQUITY INVESTMENTS)

The net book value of each one of the categories of financial assets established in the registration and valuation rule for "Financial Instruments", except for investments in the equity of group, is as follows:

	Non-current Financial assets		Current Financial assets	
	Other credits and derivatives		Other credits and derivatives	
Categories	**2019**	**2018**	**2019**	**2018**
Loans to group companies	228.2	199.7	20.6	4.6
Other non-current financial assets	0.1	-	-	-
Other financial assets with group companies	-	-	2.7	1.4
Trade and other receivables	-	-	21.4	1.5
Available-for-sale financial assets at fair value	76.2	26.9	-	-
Total	**304.5**	**226.6**	**44.7**	**7.5**

The Company grants loans to group companies at variable interest rates in the range of 2.3%-5.5% plus 3M Euribor/Libor margin, with maturities starting in 2020 (see note 6.7).

(all figures in EUR millions unless stated otherwise)

Available-for-sale financial assets

Available-for-sale financial assets comprise the equity investment in Glovoapp23, S.L., based in Barcelona, Spain ("Glovo"). Changes in fair valuation are recognized in Equity.

The movement of the Available for sale financial assets as at 31 December 2019 is as follow:

Cost	31 December 2018	Additions	Fair valuation	31 December 2019
Glovoapp23, S.L	26.9	17.6	31.7	76.2
Total	**26.9**	**17.6**	**31.7**	**76.2**

On 13 August 2019 the Group signed the agreement with Glovoapp23, S.L. for the transfer from AmRest to Glovo of 100% shares in Restaurant Partner Polska Sp. z o.o. ("PizzaPortal"). On 28 October, due to satisfaction of conditions precedent, AmRest transferred 100% of shares in PizzaPortal to Glovo. The transaction price amounted to EUR 35 million, including earn-out as the requirements have been met. In consideration for the transfer of 100% of shares in PizzaPortal, AmRest received total sale price in the amount of EUR 35 million, as a combination of cash payment of EUR 20 million and newly issued shares of Glovo valued according to the agreement at EUR 15 million (see note 6.1), which constitutes final settlement of the agreement. Fair value of newly issued shares amounted to EUR 17.6 million.

As a result of the abovementioned transaction and share capital increases in Glovo, AmRest currently holds Glovo shares giving it a 7.5% stake at shareholders' meetings. As there are some dilutive instruments such as employee options and phantom shares, a fully-diluted AmRest stake in Glovo is 6.19%.

The fair value of the Glovo investment as at 31 December 2019 was EUR 76.2 million. During the year Group recognized EUR 31.7 million effect of revaluation to fair value. This effect has been recognised in equity under finance income section. Deferred tax liability amounted for EUR 7.9 million has been recognised due to temporary differences between tax base and carrying amount of Glovo investment (note 11).

The movement of the Available for sale financial assets as at 31 December 2018 is as follow:

Cost	31 December 2017	Additions	Fair valuation	31 December 2018
Glovoapp23, S.L	-	25.0	1.9	26.9
Total	**-**	**25.0**	**1.9**	**26.9**

On 18 July 2018. Based on the agreements signed, AmRest acquired a tranche of newly-issued shares in Glovo and purchased a portion of existing shares from certain shareholders of Glovo. As a result of the investment, which totaled EUR 25 million, AmRest became a co-lead investor holding Glovo shares giving it a 10% stake at shareholders' meetings.

Valuation techniques

In December 2019, as at the date of most recent capital increase in Glovo, the Group transferred Glovo investment with carrying amounted of EUR 30.7 million from Level 3 to Level 2 of fair value hierarchy. Share capital increase of Glovo by means of the creation of new shares through asset contributions and cash contribution was executed as at 18 December 2019.

New financing round in Glovo provided the Group with market data about the Glovo including business valuation and most recent share price. In new valuation technique significant input used is based on observable market data.

(all figures in EUR millions unless stated otherwise)

Fair value of Glovo investment was determined by multiplying amount of AmRest shares in Glovo by the share price from the most recent capital increase. The most recent capital increase was made during December 2019.

Key risk description

The Group has exposure to the following risks arising from Glovo financial instrument:

- Market risk
- Business risk
- Specific risk

Market risk is defined as a risk of unexpected price fluctuations, the liquidity of a financial instrument measured as the ability to sell or purchase it at a stated price, and investors' or buyers' sentiment to a particular sector that a financial instrument is exposed to or operate in.

The business plan of the investee assumes a need for additional funding in order to finance further expansion plans. In the event of not receiving funding, the investee would need to revise its strategy and therefore the current valuation may not be justified. Also, the business plan assumes reaching certain financial results. Significant negative deviations from it may result in a lower ability or interest from investors to acquire funding by the investee.

Due to business relationship with the investee, the shareholding can be treated as a strategic one and therefore potential buyers may incorporate some discounts due to a possibility of more competitive environment in terms of further cooperation in case of sale.

6.4 TRADE AND OTHER RECEIVABLES

As at 31 December 2019 and 31 December 2018 the trade and other receivables were composed as follows:

	31 December 2019	31 December 2018
Trade and other receivables with third parties (note 6.1)	20.3	0.2
Trade and other receivables with group companies	2.9	3.7
Income tax and other credits with the tax administration	1.1	-
Impairment on other accounts receivables with group companies	(1.8)	(2.4
Total Trade and other receivables	**22.5**	**1.5**

The analysis of the movements of the impairment losses deriving from the credit risk of financial assets recorded at amortized cost is as follows:

	Year ended	
	31 December 2019	**31 December 2019**
Balance at the beginning of the year	**2.4**	**2.4**
Reclassifications to Equity instruments	(1.5)	-
other	0.9	-
Balance at the end of the financial year	**1.8**	**2.4**

6.5 FINANCIAL LIABILITES

Classes	Non-current Financial Liabilities		Current Financial Liabilities	
Categories	**2019**	**2018**	**2019**	**2018**
Other Debts and payables	101.0	101.0	-	-
Debts with Financial Institutions	293.8	254.3	30.0	1.3
Debts with group companies	-	17.7	1.7	0.6
Total	**394.8**	**373.0**	**31.7**	**1.9**

In October 5, 2017 the Company, AmRest Sp. z o.o and AmRest s.r.o. signed a senior term and revolving facilities agreement with financial institutions for a total amount of EUR 257 million and PLN 280 million (EUR 65.3 million and EUR 65.1 million at the end of 2019 and 2018, respectively).

Current financial debt with financial institutions principally include short term repayments of the previously mentioned facility agreement payable in September 30. 2020.

In April 2017 AmRest entered the Schuldscheinedarlehen ("SSD" – debt instrument under German law) market for the first time to diversify financing sources and interest rate structure of debt and has executed several issues since then. The role of the Lead Arranger and Paying Agent on all issues was entrusted to Erste Group Bank AG.

The table below presents all SSD issues and their maturities:

Issue date	Amount (EUR million)	Interest rate	Maturity date	Purpose
7 April 2017	17.0	Fixed	7 April 2022	Repayment, general corporate purposes
7 April 2017	9.0	Fixed	5 April 2024	
3 July 2017	45.5	Fixed	1 July 2022	
3 July 2017	20.0	Fixed	3 July 2024	
3 July 2017	9.5	Variable	3 July 2024	
	101.0			

As at 31 December 2019 the debt amounts to EUR 101.0 million and its corresponding interest amounting to EUR 1.7 million that are presented in the current liabilities.

As at 31 December 2019, syndicated bank financing security for liabilities in 2017, with further amendments, accounts for the majority of AmRest debt. Details of bank financing are as follows:

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

Tranche(*)	Maximum amount (million)	Date added	Purpose
A	EUR 250	October 2017	Repayment of bank debt, general corporate purposes
B	PLN 300	October 2017	
C (fully repaid in Q1 2019)	CZK 0	October 2017	
D	PLN 450	October 2017	
E	PLN 280	June 2018	Repayment of Polish bonds
F	EUR 190	October 2018	M&A, general corporate purposes

** Approximate total amount, following repayment of CZK 300m: EUR 682 m*

- Tranches E and F were executed directly by AmRest Holdings and are presented in the financial debt with financial institutions of this Annual Accounts (amounting to EUR 293,8 millions) the rest of the tranches are executed from AmRest Sp. z o.o. and AmRest s.r.o.
- Interest rates: Approximately half of the available facility is provided at variable interest rates (3M Euribor/Wibor increased by margin) and parts of tranches A and F are provided on fixed rate
- Securities: submissions to execution from the Borrowers, guarantees from Group companies, pledge on shares of Sushi Shop Group
- Other information: AmRest is required to maintain certain ratios at agreed levels, in particular, net debt/EBITDA is to be held below 3.5 and EBITDA/interest charge is to stay above 3.5. Both ratios are calculated without the effect of IFRS 16.

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

On 30 July 2018 was signed a Loan Agreement between AmRest sp. z o.o. and AmRest Holdings SE with a maximum amount of EUR 15 million. Subsequently, it was agreed that the maximum amount would be of EUR 25 million. 50% of the loan will be repaid on August 2022 and the other 50% on August 2023. As at 31 December 2018 the debt amounts to EUR 17.7 million. This amount was fully repaid during 2019.

6.6 TRADE AND OTHER PAYABLES

As at 31 December 2019 and 31 December 2018 the trade and other payables were composed as follows:

	31 December 2019	31 December 2018
Trade and other payables with third parities	0.3	0.9
Trade and other payables with group companies	1.7	1.7
Remunerations of the board of Directors	0.2	0.1
Income tax payable	-	1.5
Other payables with tax administration	3.8	0.3
Total trade and other payables	**6.0**	**4.5**

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

	31 December 2019	31 December 2018
Number of days:	**29**	**28**
Ratio of payments	32	31
Ratio of outstanding invoices	19	19
Millions of EUR:		
Total payments	5.1	3.5
Outstanding invoices	1.7	1.2

The maximum legal period applicable to the Spanish entities of the Group in accordance with Law 3/2004, of 29 December, which establishes measures to combat late payment in commercial operations, and in accordance with the transitory provisions established in Law 15/2010, of 5 July, is 60 days from 1 January 2013.

(all figures in EUR millions unless stated otherwise)

6.7 ANALYSIS BY MATURITIES

As at 31 December 2019 and 31 December 2018, the amounts of financial instruments with a determined or determinable maturity classified by year of maturity are the following:

2019	Financial Assets 2020	2021	2022	2023	Following years	Total
Loans to group companies (note 6.3)	20.6	33.1	95.3	99.8	-	**248.8**
Trade and other receivables	21.4	-	-	-	-	**21.4**
Other financial assets with group companies	2.7	-	-	-	-	**2.7**
Total	**44.7**	**33.1**	**95.3**	**99.8**	**-**	**272.9**

2018	Financial Assets 2019	2020	2021	2022	Following years	Total
Loans to group companies	4.6	-	6.8	95.6	97.3	**204.3**
Trade and other receivables	1.5	-	-	-	-	**1.5**
Other financial assets with group companies	1.4	-	-	-	-	**1.4**
Total	**7.5**	**-**	**6.8**	**95.6**	**97.3**	**207.2**

2019	Financial Liabilities 2020	2021	2022	2023	Following years	Total
Other Debts and payables	1.3	-	62.5	-	38.5	**102.3**
Debts with Financial Institutions	28.7	28.5	265.3	-	-	**322.5**
Debts with group companies	1.7	-	-	-	-	**1.7**
Trade and Other payables	6.0	-	-	-	-	**6.0**
Total	**37.7**	**28.5**	**327.8**	**-**	**38.5**	**432.5**

2018	Financial Liabilities 2019	2020	2021	2022	Following years	Total
Other Debts and payables	1.3	-	-	62.5	38.5	**102.3**
Debts with Financial Institutions	-	25.1	25.1	204.1	-	**254.3**
Debts with group companies	0.6	17.7	-	-	-	**18.3**
Trade and Other payables	4.5	-	-	-	-	**4.5**
Total	**6.4**	**42.8**	**25.1**	**266.6**	**38.5**	**379.4**

7. Cash and cash and equivalents

Cash and cash equivalents as at 31 December 2019 and 31 December 2018 are presented in the table below:

	31 December 2019	31 December 2018
Cash at bank	9.5	22.9
	9.5	**22.9**

(all figures in EUR millions unless stated otherwise)

8. Equity

8.1. SHARE CAPITAL

Since 27 April 2005, the shares of AmRest Holdings SE were listed on the Warsaw Stock Exchange ("WSE") and since 21 November 2018 on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

There were no changes in share capital of the Company in year 2019.

During 2018 year the Company increased the share capital by EUR 21 million, by offsetting the share premium reserve. Additionally, the Company performed a share split by reducing the nominal value of the Company's shares from EUR 1.0 to EUR 0.1 each without any impact on the total share capital.

In October 2018 AmRest announced that the Board of Directors of the Company has resolved to carry out a share capital increase excluding pre-emption rights in an effective amount (including nominal amount and share issue premium) of EUR 70 million. Under the share capital increase, the Company issued 7 415 253 new shares, of the same class and series as the Company's outstanding shares.

As at 31 December 2018 and at 31 December 2019 the Company has 219 554 183 shares issued.

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

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

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

On 27 March 2019 Gosha Holdings S.à.r.l. and FCapital Dutch B. V. have executed a share sale agreement pursuant to which the FCapital Dutch B.V. acquires from the Gosha Holdings S.à.r.l. their entire shareholding in AmRest Holdings SE consisting on 23 426 313 shares, representing 10.67% of AmRest's share capital. Transaction price has been agreed at EUR 13.22 per share, amounting an aggregate of EUR 309.7 million. On 9 May 2019 FCapital has completed the purchase of the entire shareholding in AmRest of Gosha Holdings S.à.r.l. After this purchase, Grupo Finaccess controls 67.05% of AmRest.

As a consequence, the proprietary directors of Gosha Holdings, S.à.r.l. at AmRest's Board, Mr. Henry McGovern and Mr. Steven Kent Winegar, resigned from their positions effective May 14, 2019. On the same date, Ms. Romana Sadurska and Mr. Emilio Fullaondo Botella were co-opted by the Board as independent directors.

To the best of AmRest's knowledge as at 31 December 2019 AmRest Holdings had the following shareholder structure:

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

** FCapital Dutch B. V. is the sole shareholder of FCapital Lux (holding directly 56 509 547 AmRest shares) and the subsidiary of Finaccess Capital, S.A. de C.V. Grupo Finaccess SAPI de CV is the direct majority shareholder of Finaccess*

(all figures in EUR millions unless stated otherwise)

Capital, S.A. de C.V. and a subsidiary of Grupo Far-Luca, S.A. de C.V. The direct majority shareholder of Grupo Far-Luca, S.A. de C.V., Mr. Carlos Fernández González, is a member of AmRest's Board of Directors.

8.2. RESERVES

The composition of reserves as at 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019	31 December 2018
Voluntary Reserves	33.5	29.9
Legal reserves	1.6	1.1
	35.1	**31.0**

The expenses incurred in the capital increased (EUR 1 million) as at October 2018 were registered decreasing the company reserves.

8.3. TREASURY SHARES

The Company usually acquires treasury shares for the purpose of the execution of the stock option plan of the employees on Warsaw Stock Exchange in Poland, that is why the price of the share is denominated in PLN.

As at 31 December 2019 the Company held 724,415 treasury shares by a total value of EUR 7.5 million that were acquired at an average purchase price of PLN 42.98 (1,586,738 treasury shares by a total value of EUR 15.2 million approximately PLN 65 million as at 31 December 2018 that were acquired at an average purchase price of PLN 40.89).

During 2019 were acquired 89,000 treasury shares at an average purchase price of PLN 43.75

The movement of treasury shares for the stock option plan is as follows:

	Year ended	
	31 December 2019	31 December 2018
Initial Balance	**(15.2)**	**(10.6)**
Acquisition of own shares	(0.9)	(9.5)
Delivery of shares for the stock option plan (see note 8.4)	8.6	4.9
Ending Balance	**(7.5)**	**(15.2)**

8.4. OTHER EQUITY INSTRUMENTS

In the item of the balance sheet other equity instruments it is registered the provision of the stock option plan for the employees recognized under the equity settlement method.

The movement of the accrual for the equity instruments of the stock option plan is as follow:

	Year ended	
	31 December 2019	31 December 2018
Initial Balance	**(6.2)**	**(8.8)**
Equity share base plans accrual	6.6	5.5
Settlement of cash-settled plans in shares (accrued costs)	0.7	1.2
Reclassification of options exercised in cash	(17.1)	-
Delivery of shares for the stock option plan	(8.6)	(4.9)
Proceeds from shares transfers (employees options)	0.9	0.8
Settlements of WHT paid by the entity	(1.7)	-
Ending Balance	**(25.4)**	**(6.2)**

(all figures in EUR millions unless stated otherwise)

8.5. ADJUSTMENTS FOR CHANGES IN VALUE

The balance of the adjustments for changes in value is as follow:

	31 December 2019	31 December 2018
Currency translation reserve	(6.8)	(6.8)
Fair value adjustments of assets available for sale (see note 6)	33.6	1.9
Adjustments for changes in value	**26.8**	**(4.9)**

In the item currency translation reserve is registered the result of the change of the functional and presentation currency from PLN to EUR.

In the item fair value adjustments of assets available-for-sale is registered the revenue resulting from the valuation at fair value of Glovoapp 23, S.L. investment (EUR 33.6 million).

9. Employee benefits and share based payments

AmRest Group established long-term incentive plans in order to bind a portion of managers' and executives' remuneration with the Company's market value. During year 2019, the Group had the share-based payment arrangements according to four share option plans. Part of options in the Plan 2 is accounted as cash-settled due to the availability of cash exercise method upon the choice of an employee. All other options in the following plans are equity-settled.

Plan 2 – Stock Option Plan 2005

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

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

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

Plan 3 – Management Incentive Plan 2011

Granting of the options finished in 2014. The Supervisory Board of Group (then existing) was entitled to determine the employees authorized to participate in the Plan and the number of options granted and the dates for their granting. The option exercise price was in principle equal to the market price of the Company's shares as at the date preceding the day of awarding the option and then increased by 11% each year. The vesting period was 3-5 years. All remaining options granted within the Plan 3 has been exercised during year 2019, an as consequence, this Plan has finalized.

Plan 4 – Stock Option Plan 2017

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

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

(all figures in EUR millions unless stated otherwise)

Plan 5 – Management Incentive Plan 2017

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

The terms and conditions for the share options outstanding as at 31 December 2019 are presented in the table below:

Grant date	Terms and conditions for vesting of the options	The maximum term of options	Option exercise price in EUR	Method of settlement
Plan 2 - SOP				
April 30, 2010	1-5 years, 20% per year	10 years	1.68	Equity or equity/cash*
June 20, 2011			1.87	Equity or equity/cash*
April 30, 2012			1.68	Equity or equity/cash*
April 30, 2013			1.94	Equity or equity/cash*
April 30, 2014			1.96	Equity or equity/cash*
December 9, 2015			3.14	Equity or equity/cash*
April 30, 2016			5.35	Equity
Plan 4 - SOP				
May 30, 2017	3-5 years, 60% after 3rd year, 20% after 4th and 5th year	10 years	8.14	Equity
January 1, 2018			9.66	Equity
April 30, 2018			10.91	Equity
August 6, 2018			10.46	Equity
October 1, 2018			10.63	Equity
December 10, 2018			9.40	Equity
April 30, 2019			9.62	Equity
Plan 5 - MIP				
March 15, 2017	3-5 years, 33% p.a.	10 years	10.51	Equity
September 13, 2017			10.97	Equity
March 3, 2018			10.43 - 10.88	Equity
October 1, 2018			14.54	Equity
March 26, 2019			10.23 – 14.49	Equity
May 13, 2019			12.10	Equity

**For some options only the equity method is applicable, as some employees can decide upon the settlement method, as disclosed in Plan 2 description above.*

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

In the table below we present the number and weighted average of the exercise prices (WAEP) of, and movements in, the options from all plans during the year ended 31 December 2019 and 2018:

Number of option 2019	WAEP in EUR (before indexation)	Plan 5	Plan 4	Plan 3	Plan 2
At the beginning of the period	7.71	6 650 000	4 118 750	2 750 003	2 274 776
Granted during the period	9.23	1 450 000	3 440 800	-	-
Exercised during the period	1.98	-	(10 000)	(2 750 003)	(1 027 742)
Forfeited during the period	8.30	(2 700 000)	(560 700)	-	(96 768)
Outstanding at the end of the period	8.52	5 400 000	6 988 850	-	1 150 266

(all figures in EUR millions unless stated otherwise)

- including exercisable as at the end of the period	3.59	-	499 168	-	-
Number of option 2018	**WAEP in EUR (before indexation)**	**Plan 5**	**Plan 4**	**Plan 3**	**Plan 2**
At the beginning of the period	5.00	4 600 000	1 961 700	2 833 336	3 126 780
Granted during the period	6.83	3 550 000	2 395 000	-	-
Exercised during the period	1.22	-	-	(83 333)	(750 884)
Forfeited during the period	9.11	(1 500 000)	(237 950)	-	(101 120)
Outstanding at the end of the period	7.71	6 650 000	4 118 750	2 750 003	2 274 776
- including exercisable as at the end of the period	1.38	-	-	2 366 660	960 622

The weighted average share price at the dates of exercise of the options was EUR 9.83 in 2019 and EUR 10.28 in 2018.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2019 was 8.21 years (2018: 7.33 years).

Measurement

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

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

Plan	**Average fair value of option as at grant date**	**Average share price at the grant date**	**Average exercise price**	**Expected volatility**	**Expected term to exercise of options**	**Expected dividend**	**Risk-free interest rate**
2019							
Plan 4 (SOP)	EUR 2.90	EUR 9.62	EUR 9.62	30%	5 years	-	2%
Plan 5 (MIP)	EUR 2.83	EUR 10.36	EUR 11.37	30%	5 years	-	2%
2018							
Plan 4 (SOP)	EUR 3.19	EUR 10.91	EUR 10.91	29%	5 years	-	2%
Plan 5 (MIP)	EUR 3.21	EUR 7.89	EUR 10.78	29%	5 years	-	2%

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

10. Provisions

In the item of the balance sheet other provisions is registered the provision of the stock option plan for the employees recognized under the cash settlement method:

	Year ended	
	31 December 2019	**31 December 2018**
Initial Balance	**1.3**	**2.2**
Plan modification (reclassification from SOP Equity settlement to cash settlement)	17.1	-
Applications	-	0.9
Reclassification of options settled with equity method	(0.7)	(1.2)
Options under Equity settlement method exercise in cash	(17.1)	-
Options exercised with cash settlement method	(0.1)	(0.6)
Ending Balance	**0.5**	**1.3**

(all figures in EUR millions unless stated otherwise)

11. Taxation

The composition of the balances with the public administrations is as follow:

Assets	31 December 2019	31 December 2018
Income tax receivable	1.0	-
VAT receivable	0.1	-
Total	**1.1**	**-**
Liabilities		
Income tax payable	-	1.5
VAT payable	0.1	0.2
Personal income tax and other withholding taxes	3.7	0.1
Total	**3.8**	**1.8**

Income tax

With effects 1 January 2018, the Company is under the consolidation tax regime set forth in Chapter VI of Title VII of Corporate Income Tax Law 27/2014 of 27 November 2014, being the head of the tax group composed by the Company itself and the rest of the Spanish subsidiaries which at 31 December 2019 are the following:

- AmRest TAG, S.L.U.
- Restauravia Food, S.L.U.
- Pastificio Service, S.L.U.*
- And The Grill Concept, S.L.U
- Black Rice S.L.U
- Bacoa Holdings S.L.U
- Shushi Shop Madrid S.L.U

On 1 October 2019 AmRestavia, S.L.U. and Restauravia Grupo Empresarial, S.L. were merged into AmRest Tag S.L.U. On 26 December 2019 AmRest Capital Zrt. (Hungary) was merged into AmRest Tag S.L.U. On mentioned date all assets of merged companies have been taken by AmRest TAG S.L.U.

The composition of the income tax expense of the individual company is as follows:

	31 December 2019	31 December 2018
Corporate income tax	2.2	(1.7)
Change in deferred taxes and liabilities	-	0.3
Total income tax recognised in the income statement	**2.2**	**(1.4)**

The amounts reported in change in deferred taxes and liabilities during the 12 months ended 31 December 2018 correspond to the write down of deferred taxes recognised as of 31 December 2017 based on the provisions established in the Polish tax regime. As these temporary differences will be not utilised following the regulations of the Spanish law they have been reversed.

The reconciliation between the net result and the tax base of the individual entity as of 31 December 2019 is as follows:

(all figures in EUR millions unless stated otherwise)

	Income statement		
	Additions	Decreases	Total
Profit and loss for the period			**25.8**
Income tax expense			(2.2)
Permanent differences	**-**	**(37.7)**	**(37.7)**
Temporary differences	**5.4**	**-**	**5.4**
- With origin in the current year	5.4	-	5.4
- With origin in previous years			-
Tax base			**(8.7)**
Corporate income tax expense/(revenue) 25%			**(2.2)**

The reconciliation between the net result and the tax base of the individual entity as of 31 December 2018 is as follows:

	Income statement		
	Additions	Decreases	Total
Profit and loss for the period	**-**	**-**	**4.1**
Income tax expense	-	-	(1.4)
Permanent differences	**-**	**(11.1)**	**(11.1)**
Temporary differences	**1.7**	**-**	**1.7**
- With origin in the current year	1.7	-	1.7
- With origin in previous years	-	-	-
Tax base	**-**	**-**	**(6.6)**
Corporate income tax expense/(revenue) 25%			**(1.7)**

In permanent differences are adjusted the revenues from Dividends, the stock option plan, and the gains on disposals of group companies that are considered exempt for income tax purposes.

In temporary differences are adjusted mostly the impairments for receivables and investments with group companies, that will be deductible once the companies are liquidated.

The movement of the deferred tax assets and liabilities for the years ended 31 December 2019 and 2018 has been as follows:

	Year ended	
Deferred tax assets	**31 December 2019**	**31 December 2018**
Balance at beginning of the period	-	0.3
Debit (credit) on the profit and loss account	-	(0.3)
Balance at the end of the period	-	**-**
Deferred tax liability		
Balance at beginning of the period	-	**-**
Debit (credit) registered in Equity (see note 8.3)	8.4	**-**
Balance at the end of the period	**8.4**	**-**

The deferred tax liabilities imputed in Equity corresponds to the tax impact of the fair valuation of assets held for sale (see note 6).

The reconciliation between the consolidated tax base and the individual tax base of the subsidiaries of the tax group is detailed below:

(all figures in EUR millions unless stated otherwise)

	Year ended	
	31 December 2019	31 December 2018
Tax base AmRest Holdings	**(8.7)**	**(6.6)**
Tax base contributed by subsidiaries of the tax group:	**36.5**	**39.5**
AmRest TAG, S.L.U.	(1.3)	(1.5)
Restauravia Food, S.L.U.	4.1	0.1
Pastificio Service, S.L.U.	37.1	-
The Grill Concept, S.L.U.	(2.4)	5.4
Black Rice, S.L.U	(0.6)	36.9
Bacoa Holding, S.L.U	(1.1)	(1.4)
Shushi Shop Madrid, S.L.U	0.7	32.9
Current income tax of the consolidated tax group (25%)	**7.0**	**8.2**
Other deductions	**-**	**(0.4)**
Withholding taxes and CIT advances	**8.4**	**(6.3)**
Subtotal	(1.5)	1.5
Reversal of excess of accrual income tax 2018	0.5	-
Income tax receivable payable (receivable)	**(1.0)**	**1.5**

AmRest Holdings SE has the following balances related to current accounts with group entities resulted from the Consolidated tax regimen:

	31 December 2019	31 December 2018
<u>Receivables:</u>		
Restauravia Food, S.L.U.	1.0	0.6
Pastificio Service, S.L.U.	1.0	0.4
AmRest TAG S.L.U.	0.1	0.5
Total receivables from the Consolidated tax regime	**2.1**	**1.4**
<u>Payables</u>		
The Grill Concept S.L.U.	(1.0)	(0.4)
Black Rice S.L.	(0.2)	-
Shushi Shop Madrid, S.L.U.	(0.1)	-
Total payables from the Consolidated tax regime	**(1.3)**	**(0.4)**

12. Income and expenses

<u>12.1 REVENUES</u>

In the item Revenues of the separate income statement for the years ended on 31 December 2019 and 2018 were recognized the result of the execution of stock option plan for employees and the interest and dividends received from subsidiaries:

	Year ended	
	31 December 2019	31 December 2018
Dividends from Subsidiaries	3.1	8.4
Revenue from the stock option plan	7.6	2.7
Financial income from group companies	6.5	2.0
Total Revenues	**17.2**	**13.1**

(all figures in EUR millions unless stated otherwise)

The dividends received during the annual period ended at 31 December 2019 correspond to the subsidiary AmRest s.r.o. (Czech Republic). The breakdown of Dividends by geographical area for the annual periods ended at 31 December 2019 and 2018 is as follow:

	Year ended	
	31 December 2019	**31 December 2018**
Exports:	3.1	8.4
a) European Union	3.1	8.4
Total Dividends received from Subsidiaries	**3.1**	**8.4**

Revenues from stock option plan correspond to the difference between the valuation of the stock options and the book value of the own shares executed for the stock option plan The breakdown of revenues from the stock option plan for the employees by geographical area for the annual periods ended at 31 December 2019 and 2018 is as follow:

	Year ended	
	31 December 2019	**31 December 2018**
Domestic market	**4.5**	**1.0**
Exports:	**3.1**	**1.7**
a) European Union	1.1	0.5
b) O.E.C.D countries	1.7	0.8
c) Other countries	0.3	0.4
Net income from the stock option plan	**7.6**	**2.7**

Financial income from subsidiaries correspond to the accrued interest of the loans and other financial assets given from the Company to the group companies during the year. The breakdown of finance income from group companies by geographical area for the annual periods ended at 31 December 2019 and 2018 is as follow:

	Year ended	
	31 December 2019	**31 December 2018**
Domestic market	2.4	0.4
Exports:	4.1	1.5
a) European Union	3.5	1.2
b) Other countries	0.7	0.4
Finance income from group companies	**6.5**	**2.0**

12.2. PERSONNEL EXPENSES:

The detail of personnel expenses for the annual periods ended at 31 December 2019 and 2018 is as follow:

	Year ended	
	31 December 2019	**31 December 2018**
Salaries and social charges	(1.0)	(0.8)
Total other operating expenses	**(1.0)**	**(0.8)**

(all figures in EUR millions unless stated otherwise)

12.3. OTHER OPERATING EXPENSES

The composition of the other operating expenses for the annual periods ended at 31 December 2019 and 2018 is as follows:

	Year ended	
	31 December 2019	31 December 2018
Profesional Services	(2.1)	(2.2)
Business travel	(0.3)	(0.2)
Other taxes	(0.3)	(0.5)
Other expenses	-	(0.2)
Total other operating expenses	**(2.7)**	**(3.1)**

12.4 INCOME AND EXPENSES IN FOREIGN CURRENCY

The income and expenses denominated in foreign currency for the annual periods ended at 31 December 2019 and 2018 are as follow:

For the year ended 31 December 2019	PLN	USD
Revenues	**-**	**0.7**
Other operating expenses	(1.0)	(0.1)
Impairment in investments of groups companies	-	(6.5)
Results from operating activities	**(1.0)**	**(5.9)**
Finance expenses	(10.2)	
Net finance income (expense)	**(10.2)**	
Total Income and expenses in foreign currency	**(11.2)**	**(5.9)**

For the year ended 31 December 2018	PLN	USD
Other operating expenses	(0.5)	-
Impairments for credits and receivables with group companies	-	0.1
Impairment in investments of groups companies	-	(1.0)
Results from operating activities	**(0.5)**	**(0.9)**
Finance expenses	(3.2)	-
Net finance income (expense)	**(3.2)**	**-**
Total Income and expenses in foreign currency	**(1.8)**	**(0.9)**

13. Financial result

The financial result for the annual periods ended at 31 December 2019 and 2018 is as follows:

	Year ended	
Financial Expenses	31 December 2019	31 December 2018
With group companies	(0.7)	(0.8)
With third parties	(10.3)	(6.1)
Total Financial Expenses	**(11.0)**	**(6.9)**

13.1 Exchange rates differences:

The breakdown of exchange losses and gains recognised in the income statement is follows:

(all figures in EUR millions unless stated otherwise)

	Year ended 31 December 2019	31 December 2018
On Investments and loans with group companies	0.4	0.4
On Banks and others	0.1	(0.2)
On Financial liabilities	-	2.0
Total	**0.5**	**2.2**

14. Related parties balances and transactions

As at 31 December 2019, the Group comprised the following subsidiaries:

Company name	Registered office	Parent/non-controlling undertaking	Owner-ship interest and total vote	Date of effective control
		Holding activity		
AmRest Acquisition Subsidiary Ltd.	Birkirkara, Malta	AmRest Holdings SE	100.00%	May 2007
AmRest TAG S.L.U. [12, 17]	Madrid, Spain	AmRest Sp. z o.o.	100.00%	March 2011
AmRest HK Ltd	Hong Kong, China	AmRest Holdings SE	100.00%	September 2011
AmRest China Group PTE Ltd	Singapore	AmRest Holdings SE	100.00%	December 2012
Bigsky Hospitality Group Ltd	Hong Kong, China	AmRest China Group PTE Ltd	100.00%	December 2012
New Precision Ltd [11]	Mriehel, Malta	AmRest China Group PTE Ltd	100.00%	December 2012
Horizon Consultants Ltd.[10]	Mriehel, Malta	AmRest China Group PTE Ltd	100.00%	December 2012
AmRest Management Kft	Budapest, Hungary	AmRest Kft AmRest TAG S.L.U.	99.00% 1.00%	August 2018
GM Invest SRL	Brussels, Belgium	AmRest TAG S.L.U.	100.00%	October 2018
Sushi Shop Group SAS	Paris, France	GM Invest SRL AmRest TAG S.L.U.	9.47% 90.53%	October 2018
AmRest France SAS	Paris, France	AmRest Holdings SE	100.00%	December 2018
Sushi Shop Management SAS	Paris, France	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Belgique SA	Bruxelles, Belgium	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Holding USA LLC	Dover Kent, USA	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Luxembourg SARL	Luxembourg	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Switzerland SA	Fribourg, Switzerland	Sushi Shop Management SAS	100.00%	October 2018

		Restaurant, franchise and master-franchise activity		
AmRest Sp. z o.o.	Wroclaw, Poland	AmRest Holdings SE	100.00%	December 2000
AmRest s.r.o.	Prague, Czechia	AmRest Holdings SE	100.00%	December 2000
AmRest Kft	Budapest, Hungary	AmRest Sp. z o.o.	100.00%	June 2006
AmRest Coffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o. Starbucks Coffee International,Inc.	82.00% 18.00%	March 2007
AmRest EOOD	Sofia, Bulgaria	AmRest Holdings SE	100.00%	April 2007
OOO AmRest	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Ltd. AmRest Sp. z o.o.	44.72% 55.28%	July 2007
AmRest Coffee s.r.o.	Prague, Czechia	AmRest Sp. z o.o. Starbucks Coffee International,Inc.	82.00% 18.00%	August 2007
AmRest Kávézó Kft	Budapest, Hungary	AmRest Sp. z o.o. Starbucks Coffee International,Inc.	82.00% 18.00%	August 2007
AmRest d.o.o.	Belgrade, Serbia	AmRest Sp. z o.o. ProFood Invest GmbH	60.00% 40.00%	October 2007
Restauravia Food S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
Pastificio Service S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	April 2011
AmRest Adria d.o.o.	Zagreb, Croatia	AmRest Sp. z o.o.	100.00%	October 2011

(all figures in EUR millions unless stated otherwise)

AmRest GmbH i.L.[1]	Cologne, Germany	AmRest TAG S.L.U.	100.00%	March 2012
AmRest SAS	Lyon, France	AmRest TAG S.L.U.	100.00%	April 2012
AmRest Adria 2 d.o.o.	Ljubljana, Slovenia	AmRest Sp. z o.o.	100.00%	August 2012
Frog King Food&Beverage Management Ltd	Shanghai, China	Bigsky Hospitality Group Ltd	100.00%	December 2012
Blue Frog Food&Beverage Management Ltd	Shanghai, China	New Precision Ltd	100.00%	December 2012
Shanghai Kabb Western Restaurant Ltd	Shanghai, China	Horizon Consultants Ltd.	100.00%	December 2012
AmRest Skyline GMBH	Cologne, Germany	AmRest TAG S.L.U.	100.00%	October 2013
Kai Zhen Food and Beverage Management (Shanghai) Ltd	Shanghai, China	BlueFrog Food&Beverage Management Ltd	100.00%	March 2014
AmRest Coffee EOOD	Sofia, Bulgaria	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Coffee S.r.l.	Bucharest, Romania	AmRest Sp. z o.o.	100.00%	June 2015
AmRest Food Srl. [8]	Bucharest, Romania	AmRest Sp. z o.o.	99.00%	July 2019
		AmRest Holdings SE	1.00%	July 2019
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.	23.00%	May 2016
		AmRest TAG S.L.U.	77.00%	
AmRest DE Sp. z o.o. & Co. KG	Berlin, Germany	AmRest Kaffee Sp. z o.o.	100.00%	December 2016
The Grill Concept S.L.U.	Madrid, Spain	Pastificio Service S.L.U.	100.00%	December 2016
Kai Fu Food and Beverage Management (Shanghai) Co. Ltd	Shanghai, China	Blue Frog Food&Beverage Management Ltd	100.00%	December 2016
LTP La Tagliatella Portugal, Lda	Lisbon, Portugal	AmRest TAG S.L.U.	100.00%	February 2017
LTP La Tagliatella Franchise II Portugal, Lda [5]	Lisbon, Portugal	AmRest TAG S.L.U.	100.00%	April 2019
AmRest AT GmbH	Vienna, Austria	AmRest Sp. z o.o.	100.00%	March 2017
AmRest Topco France SAS	Paris, France	AmRest France SAS	100.00%	May 2017
AmRest Delco France SAS	Paris, France	AmRest Topco France SAS	100.00%	May 2017
AmRest Opco SAS [3]	Paris, France	AmRest France SAS	100.00%	July 2017
OOO Chicken Yug	Saint Petersburg, Russia	OOO AmRest	100.00%	October 2017
OOO AmRest Pizza [4]	Saint Petersburg, Russia	AmRest Acquisition Subsidiary Ltd.	99.999996%	November 2017
		OOO AmRest	0.000004%	
AmRest Coffee SRB d.o.o.	Belgrade, Serbia	AmRest Holdings SE	100.00%	November 2017
AmRest Chamnord SAS	Paris, France	AmRest Opco SAS	100.00%	March 2018
AmRest SK s.r.o.	Bratislava, Slovakia	AmRest s.r.o.	99.00%	April 2018
		AmRest Sp. z o.o.	1.00%	
AmRest Pizza GmbH	Munich, Germany	AmRest DE Sp. z o.o. & Co. KG	100.00%	June 2018
Black Rice S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	July 2018
Bacoa Holding S.L.U.	Madrid, Spain	AmRest TAG S.L.U.	100.00%	July 2018
Sushi Shop Restauration SAS **	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
Orphus SARL [7]	Paris, France	Sushi Shop Management SAS	100.00%	October 2018
CMLC Troyes [9]	Troyes, France	Sushi Shop Management SAS	100.00%	July 2019
Sushiga SARL	Paris France	Sushi Shop Management SAS	50.00%	October 2018
		Emmanuel GARFIN	50.00%	
SSW 1 SPRL	Waterloo, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
SSW 2 SPRL	Wavre, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi House SA	Luxembourg	Midicapital	14.00%	October 2018
		Sushi Shop Luxembourg SARL	86.00%	
Sushi Sablon SA	Bruxelles, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop London Pvt LTD	London, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Shop Louise SA	Bruxelles, Belgium	Sushi Shop Belgique SA	54.80%	October 2018
		Midicapital	45.20%	
Sushi Shop UK Pvt LTD	Charing, UK	Sushi Shop Group SAS	100.00%	October 2018
Sushi Uccle SA	Uccle, Belgium	Sushi Shop Belgique SA	100.00%	October 2018
Sushi Shop Anvers SA	Bruxelles, Belgium	Sushi Shop Belgique SA	100.00%	October 2018

(all figures in EUR millions unless stated otherwise)

Sushi Shop Geneve SA	Geneva, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Lausanne SARL	Lasanne, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Madrid S.L. [6]	Madrid, Spain	Sushi Shop Management SAS	100.00%	October 2018
Sushi Shop Milan SARL	Milan, Italy	Sushi Shop Management SAS	70.00%	October 2018
		Vanray SRL	30.00%	
Sushi Shop NE USA LLC	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop NY1	New York, USA	Sushi Shop Holding USA LLC	64.00%	October 2018
		Sushi Shop NE USA LLC	36.00%	
Sushi Shop NY2	New York, USA	Sushi Shop Holding USA LLC	100.00%	October 2018
Sushi Shop International SA	Bruxelles, Belgium	Sushi Shop Group SAS	99.90%	October 2018
		Sushi Shop Belgique SA	0.10%	
Sushi Shop Zurich GMBH	Zurich, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop Nyon SARL	Nyon, Switzerland	Sushi Shop Switzerland SA	100.00%	October 2018
Sushi Shop NL B.V.	Amsterdam, Netherlands	Sushi Shop Group SAS	100.00%	October 2018
Financial services and others for the Group				
AmRest LLC	Wilmington, USA	AmRest Sp. z o.o.	100.00%	July 2008
AmRest Work Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2012
La Tagliatella International Kft	Budapest, Hungary	AmRest TAG S.L.U.	100.00%	November 2012
La Tagliatella Financing Kft [2]	Budapest, Hungary	AmRest TAG S.L.U.	100.00%	November 2012
La Tagliatella SAS	Lyon, France	AmRest TAG S.L.U.	100.00%	March 2014
AmRest FSVC LLC	Wilmington, USA	AmRest Holdings SE	100.00%	November 2014
AmRest Kaffee Sp. z o.o.	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	March 2016
AmRest Estate SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
AmRest Leasing SAS	Paris, France	AmRest Opco SAS	100.00%	September 2017
OOO RusCo Food [14]	Saint Petersburg, Russia	AmRest Management Kft	100.00%	August 2018
AmRest Trademark Kft „v.a" [13]	Budapest, Hungary	AmRest Management Kft	100.00%	September 2018
AmRest Franchise Sp. z o.o. [15]	Wroclaw, Poland	AmRest Sp. z o.o.	100.00%	December 2018

Supply services for restaurants operated by the Group				
SCM Czech s.r.o.	Prague, Czechia	SCM Sp. z o.o.	90.00%	March 2007
		Ondrej Razga	10.00%	
SCM Sp. z o.o. [16]	Warsaw, Poland	AmRest Sp. z o.o.	51.00%	October 2008
		R&D Sp. z o.o.	33.80%	
		Beata Szafarczyk-Cylny	5.00%	
		Zbigniew Cylny	10.20%	

1 On 25 November 2016 Amrestavia, S.L.U. (AmRest Tag S.L.U. after the merger described in point 12 below), the sole shareholder of AmRest GmbH, decided to liquidate this company. The liquidation process has not been finished up until the date of these consolidated financial statements.
2 On 5 September 2017 Amrestavia, S.L.U. (AmRest Tag S.L.U. after the merger described in point 12 below), the sole shareholder of La Tagliatella Financing Kft, decided to liquidate this company. The liquidation process has not been finished up until the date of these consolidated financial statements.
3 On 1 January 2019 Versaillies Resto SAS was merged into AmRest Opco SAS.
4 On 16 April 2019 OOO Pizza Company has changed the company name for OOO AmRest Pizza.
5 On 16 April 2019 was registered new company LTP La Tagliatella II Franchise Portugal Lda.
6 On 12 July 2019 Sushi Shop Management SAS has acquired 23% of shares of Sushi Shop Madrid S.L.
7 On 16 July 2019 Sushi Shop Management SAS has acquired 15% of shares of Orphus SARL.
8 On 17 July 2019 was registered AmRest Food Srl. with registered office is Bucharest, Romania. Company has two shareholders: AmRest Sp. z o.o. owns 99% of shares, AmRest Holdings SE owns 1% of shares.
9 On 2 July 2019 Sushi Shop Management SAS finalized acquisition of 100% shares of CMLC Troyes.
10 With effect from 14 October 2019 Horizon Group Consultants has changed its domicile from British Virgin Islands to Malta. The new company name is Horizon Consultants Ltd.
11 With effect from 4 November 2019 New Precision Ltd. has changed its domicile from Samoa to Malta.
12 On 1 October 2019 AmRestavia, S.L.U. and Restauravia Grupo Empresarial, S.L. were merged into AmRest Tag S.L.U. On mentioned date all assets of merged companies have been taken by AmRest Tag S.L.U.
13 On 21 October 2019 the voluntary liquidation process of AmRest Trademark Kft (Hungary) started. On the same date the Company changed name for AmRest Trademark Kft. „v.a"
14 On 15 November 2019 was registered the beginning of OOO RusCo Food liquidation process.
15 On 25 November 2019 AmRest Sp. z o.o. became sole shareholder of AmRest Franchise Sp. z o.o., through the purchase agreement of the remaining 1% of shares .

16 On 2 December 2019 SCM Due Sp. z o.o. was merged into SCM Sp. z o.o. On mentioned date all assets of merged company have been taken by SCM Sp. z o.o.
17 On 26 December 2019 AmRest Capital Zrt. (Hungary) was merged into AmRest Tag S.L.U. On mentioned date all assets of merged company have been taken by AmRest Tag S.L.U.
18 During first half year of 2019 Sushi Shop Group made reorganization with the purpose of simplifying the operational structure. Within the reorganization some stores within restaurant activity were bought out by Sushi Shop Management SAS and Sushi Shop Restauration SAS and merged into Sushi Shop Management SAS and Sushi Shop Restauration SAS. On 28 June 2019, after the publication of the prospected merger for opposition purposes with the official publication, registration of merger was proceeded. The following entities were merged into Sushi Shop Restauration SAS and ceased operation as a separate companies: Sushi Courbevoie Developpement SARL, Sushi Shop Villers SARL, Sushi Antibes Developpement SAS, Sushi Shop Corner SAS, Bottega Romana Boetie SARL, Sushi Shop ST Dominique SARL, Sushi Shop Traiteur SARL, Sushi Shop Secretan SARL, Sushi Shop Vincennes SARL, Sushi Shop Martyrs SARL, Sushi Shop Lepic SARL, Sushi Shop Courcelles SARL, Sushi Shop Levallois SARL, Sushi Toulouse Developpement SARL, Sushi Shop Toulouse 3 SARL, Sushi Nice Developpement SAS, Sushi Nice 2 SARL, Sushi Shop Vieux Lille SAS, Sushi Shop Lille Centre SAS, SSC – Sushi Shop Cauderan SAS, SSBC – Sushi Shop Bordeaux Chartrons SAS, SSB Sushi Shop Bordeaux SAS, SSM – Sushi Shop Merignac SAS, Art Sushi Marseille SAS, ART Sushi Delibes SARL, ART Sushi ST Barnabe SARL, Sushi Marseille Developpement SARL, Altana SAS, Tomemma SAS, Gelau SAS, Sushinantes SAS, AIX Sushi House SAS, Sushi Grand Ouest SAS, Sushi Shop Tours SARL, Sushi Shop Angers SARL, Sushi Shop Caen SARL, Sushi Shop La Rochelle SARL, Sushi Shop Le Mans SARL, HP2L SAS, Sushi Corner Saint Gregoire SARL, Sushi Shop Rennes Nemours SARL, Sushi Shop Rouen SAS, Black Box SAS, Sauboget SARL, RCP SARL, Bontor SAS, Zen'itude SAS, Sushi 54 SAS, Sushi 21 SAS, CR Developpement SAS, Sushi Lyon 64 SAS.

- On 31 January 2019 Sushi Shop Management SAS sold 100% of shares of Sushi Shop Amiens SARL to RM RESTAURANTES SAS. Effective date of transaction is 1 February 2019.
- On 13 March 2019 AmRest Holding SE has acquired 49% of shares of Restaurant Partner Polska Sp. z o.o. On this day AmRest Holdings SE has become sole shareholder of Restaurant Partner Polska Sp. z o.o.
- On 28 October 2019 AmRest Holdings SE lost control over Restaurant Partner Polska Sp. z o.o. as a result of transaction of sales of 100% shares with Gloviapp23, S.L.

(all figures in EUR millions unless stated otherwise)

The balances with the Group entities are as follows:

	31 December 2019	31 December 2018
Assets		
Total loans granted to group companies	**248.8**	**204.3**
(Long and short term classification)		
Long term loans granted to group companies (note 6.3)	228.2	199.7
Short term loans granted to group companies (note 6.3)	20.6	4.6
(Group entity classification)		
AmRest TopCo	8.5	7.8
AmRest Opco SAS	33.5	25.9
AmRest China	7.3	6.8
AmRest Coffee Deutschland Sp. z o.o.	9.7	1.5
AmRest DE Sp. z o.o. & Co. KG	29.5	12.2
AmRest HK Limited	0.0	0.1
AmRest AT GmbH	3.9	1.7
AmRest Kaffee Sp. z o.o.	38.5	37.4
AmRest TAG S.L.U.	68.7	62.9
Blue Frog Food & Beverage Management	4.5	1.8
Pastificio Service. S.L.U.	26.9	26.6
Restauravia Food. S.L.U.	11.1	11.0
Restauravia Grupo Empresarial. S.L.	-	8.6
AmRest Adria d.o.o.	0.8	-
AmRest Pizza Sp. z o. o. &Co. KG	1.4	-
AmRest SK s.r.o.	1.2	-
OOO AmRest	1.8	-
Sushi Shop SAS	1.5	-
Other financial assets with group companies (see note 6.3)	**2.7**	**1.4**
Restauravia Food. S.L.U.	1.0	**0.5**
Pastificio Service S.L.U.	1.0	0.4
AmRestavia S.L.U.	0.6	0.5
AmRest TAG S.L.U.	0.1	-
Trade and other receivables with group companies (see note 6.4)	**1.1**	**1.3**
AmRest Sp. z o.o.	0.6	0.7
Restauravia Food. S.L.U.	0.1	0.1
OOO AmRest	0.2	0.1
AmRestavia. S.L.U.	-	0.2
AmRest Kft	0.1	0.1
AmRest SRO	0.0	0.1
Pastificio Service S.L.U.	0.1	-
Liabilities		
Other financial liabilities with group companies (see note 6.5)	**-**	**17.7**
AmRest Sp. z o.o.	-	17.7
Short term debt and other current financial liabilities (see note 6.5)	**1.7**	**0.6**
AmRest Sp. z o.o.	-	0.2
The Grill Concept S.L.U.	1.0	0.4
AmRest TAG S.L.U.	0.5	-
Bacoa Black Rice S.L.	0.1	-
Sushi Shop SAS	0.1	-
Trade payables with group companies (see note 6.6)	**1.7**	**1.7**
AmRestavia. S.L.U.	-	1.1
AmRest Sp. z o.o.	0.2	0.4
AmRest TAG S.L.U.	1.1	-
Other related parties	0.4	0.2

(all figures in EUR millions unless stated otherwise)

The transactions with group entities are as follows:

	Year ended	
	31 December 2019	**31 December 2018**
Revenues		
Revenues from Dividends	**3.1**	**8.4**
AmRest SRO	3.1	8.4
Revenues from the result of the stock option plan	**7.6**	**2.7**
AmRest Sp. z o.o.	0.3	(0.2)
AmRest Coffee Sp. z o.o.	0.2	0.4
AmRest SRO	0.2	0.1
AmRest FSVC LLC	1.7	0.8
Restauravia Food S.L.U.	0.1	0.1
Pastficio Service S.L.U.	0.2	0.1
AmRestavia S.L.U.	2.1	0.7
AmRest Kft	0.1	0.1
AmRest Coffee SRO	0.1	0.3
OOO AmRest	0.3	0.3
SCM	0.2	-
AmRest TAG S.L.U.	2.1	-
Financial Income from group companies	**6.5**	**2.0**
AmRest Sp. z o.o.	0.2	0.2
AmRest HK Ltd.	0.1	0.1
AmRest China Group PTE Ltd.	0.3	0.3
AmRest Coffee Deutschland	0.1	-
AmRest Topco France	0.2	0.1
AmRest Opco SAS	0.8	0.4
AmRest DE Sp. z o.o. & Co. KG	0.7	0.1
AmRest Kaffee Sp. z o.o.	1.1	0.3
AmRest TAG S.L.U.	1.5	0.3
Pastificio Service S.L.U.	0.6	0.1
Restauravia Food S.L.U.	0.3	0.1
AmRest AT GmbH	0.1	-
Blue Frog Food & Beverage Mana	0.2	-
AmRest Capital Zrt	0.1	-
Other related parties	0.2	-
Expenses		-
Financial expenses with group companies	**0.7**	**0.8**
AmRest Sp. z o.o.	0.3	0.7
Pastificio Service S.L.U.	0.1	0.1
AmRest SRO	0.1	**-**
AmRest TAG S.L.U.	0.1	**-**
OOO AmRest	0.1	**-**
Impairment of financial instruments with group companies	**(5.3)**	**(1.9)**
AmRest LLC	-	0.1
AmRest FSV LLC	(5.3)	(1.9)
AmRest HK Limited	-	(0.1)

(all figures in EUR millions unless stated otherwise)

15. Remuneration of the board of directors and senior executives

(a) Below are described the remunerations of the board of Directors and Management Board (Senior Executives) following the regulations of the CNMV Circular 5/2015 from 28 October:

The remuneration of Board of Directors paid by AmRest Holdings SE for all the retribution concepts is the following:

	Year ended	
	31 December 2019	**31 December 2018**
Board of Directors Remunerations		
Fixed Remuneration	0.6	0.5
Operations with shares and/or other financial instruments	15.5	0.8
Total Board of Director remunerations	**16.1**	**1.3**

The remuneration of the Board of Directors paid by other subsidiaries of the group for all the retribution concepts are as follows:

	Year ended	
Board of Directors Remunerations	**31 December 2019**	**31 December 2018**
Salaries	0.1	0.3
Variable Remuneration	0.1	0.1
Termination benefits	0.4	-
Total Board of Director remunerations	**0.6**	**0.4**

Directors Remuneration Policy was approved at the general shareholders' meeting held on 6 June 2018 and will remain in force until 2021 unless the general shareholders' meeting so resolves to amend or replace it. According to the policy, Executive directors may receive additional remuneration for performing executive functions. In 2019, Mr. McGovern being the only executive director was entitled to a variable cash remuneration.

In addition, he also received a cash amount after the exercise of his share options granted under the MIP and SOP programs which were granted to him in his capacity as first executive of the Company, previous to and independent from his status as Board member.

The remuneration of the Senior Executives paid by the Company is as follow:

	Year ended	
Senior Executives	**31 December 2019**	**31 December 2018**
Remuneration received by the Senior Executives	0.7	0.1
Operations with shares and/or other financial instruments	7.8	-
Total remuneration received by the Senior Executives	**8.5**	**0.1**

The remuneration of the Senior Executives paid by other subsidiaries of the group is as follows:

	Year ended	
Senior Executives	**31 December 2019**	**31 December 2018**
Remuneration received by the Senior Executives	2,0	2,1
Total remuneration received by the Senior Executives	**2.0**	**2.1**

(all figures in EUR millions unless stated otherwise)

(b) Information about conflict of interest situations of the Board of Directors:

In the duty to avoid situations of conflict with the interest of the Company, during the year the directors who have held positions on the Board of Directors have complied with the obligations set forth in article 228 of the consolidated text of the Capital Companies Law. Likewise, both they and the persons related to them, have refrained from incurring in the cases of conflict of interest foreseen in article 229 of said law, except in the cases in which the corresponding authorization has been obtained.

(c) Transactions other than ordinary business or under terms differing from market conditions carried out by the Board of Directors or Audit Committee:

In 2019 and 2018the members of the Board of Directors of the Company or of the Audit Committee have not carried out any transactions other than ordinary business with the Company or applied terms that differ from market conditions.

16. Other information

16.1. Number of employees

The average number of employees, distributed by categories, for the year 2019 and 2018 is a follow:

	Year ended	
Categories	**31 December 2019**	**31 December 2018**
Executive Managers	2.0	1.0
Managers and others	3.0	1.0
	5.0	**2.0**

The number of employees, distributed by gender, as at 31 December 2019 and 2018 is as follow:

Gender	**31 December 2019**			**31 December 2018**		
	Total	**Males**	**Female**	**Total**	**Males**	**Female**
Board Members	**7**	**6**	**1**	**7**	**7**	**-**
Executive Managers	**2**	**2**	**-**	**1**	**1**	**-**
Managers and others	**4**	**2**	**2**	**1**	**1**	**-**
	13	**10**	**3**	**9**	**9**	**-**

There are no employees with a disability rating of 33% or higher during 2019.

16.2. Tax inspections

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

16.3 Information about the environment

Given the activity to which the Company is dedicated, it has no liabilities, expenses, assets, provisions or environmental contingencies that could be significant in relation to the assets, financial situation and results of the same. For this reason, the specific disclosures of information are not included in this report.

16.4 Subsequent events

On 28 February 2020 AmRest Holding's SE registered office was changed from Enrique Granados 6, 28224 Pozuelo de Alarcón (Madrid), Spain to Paseo de la Castellana 163, 28046 (Madrid), Spain.

17. Audit fees

The fees accrued during the year ended 31 December 2019 and 2018 by KPMG Auditores, S.L. were as follows:

	Year ended	
In thousands of Euros	**31 December 2019**	**31 December 2018**
Audit fees Service		
Audit	30.0	18.0
Total audit fees	**30.0**	**18.0**

Signatures of the Board of Directors

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

Emilio Fullaondo Botella
Member of the Board

Romana Sadurska
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mustafa Ogretici
Member of the Board

Madrid, 28 February 2020

Directors's Report 31 December 2019

(all figures in EUR millions unless stated otherwise)

1. Financial highlights

	year ended 31 December 2019	year ended 31 December 2018	3 months ender on December 31 2019	3 months ender on December 31 2018
Revenues	17.2	13.1	2.6	1.7
Results from operating activities	35.1	7.4	29.5	(0.4)
Financial Cost	(11.5)	(4.7)	(5.6)	(2.4)
Income tax expense	2.2	1.4	1.3	0.8
Profit/(loss) for the period	25.8	4.1	25.2	(2.0)

	31 December 2019	31 December 2018
Total Assets	747.1	648.8
Total liabilities and provisions	441.4	380.7
Non-current liabilities	403.7	374.3
Current liabilities	37.7	6.4
Share capital	22.0	22.0

2. Significant events and transactions in 2019

Termination of Share Purchase Agreement – TELE PIZZA, S.A.U.

On July 26, 2018 AmRest Sp. z o.o. („AmRest Poland") and TELE PIZZA, S.A.U. ("Seller") signed a Share Purchase Agreement ("SPA"), pursuant to which AmRest Poland would acquire 100% shares of TELEPIZZA POLAND Sp. z o.o. ("Telepizza Poland") at an estimated price of ca. EUR 8 million.

The completion of the transaction was contingent upon a number of conditions, including obtaining antitrust approvals, conclusion of a license agreement with the Seller authorizing Telepizza Polska to continue operation of its business and lack of the material adverse change events ("MAC").

On March 7th, 2019 AmRest informed that the SPA was automatically terminated due to failure to meet the conditions precedent specified in the SPA before the Long Stop Date (i.e. failure to obtain the consent for the concentration from the Office of Competition and Customer Protection before the Long Stop Date).

Share sale agreement between Gosha Holdings, S.à.r.l. and FCapital Dutch, B.V.

On March 27, 2019 AmRest was notified by its controlling shareholder, FCapital Dutch, B.V. (Grupo Finaccess subsidiary; "FCapital", the "Purchaser"), and one of its significant shareholders, Gosha Holdings, S.à.r.l. ("Gosha", the "Seller"), that FCapital and Gosha have executed a share sale agreement pursuant to which the Purchaser would acquire from the Seller its entire shareholding in AmRest (the "Transaction"). The Transaction was expected to be settled on 10 May 2019.

On May 9, 2019 FCapital has completed the purchase of the entire shareholding in AmRest of Gosha, consisting of 23 426 313 shares representing 10.67% of the Company's share capital, for a price per share of EUR 13.22, amounting an aggregate of EUR 309 695 857.86. After this purchase, Grupo Finaccess controls 67.05% of AmRest.

As a consequence, the proprietary directors of Gosha Holdings, S.à.r.l. at AmRest's Board, Mr. Henry McGovern and Mr. Steven Kent Winegar, resigned from their positions effective May 14, 2019. On the same date, Ms. Romana Sadurska and Mr. Emilio Fullaondo Botella were co-opted by the Board as independent directors.

(all figures in EUR millions unless stated otherwise)

Agreement with Glovoapp23 S.L.

On 13 August 2019 the Group signed the agreement with Glovoapp23, S.L. (the "Agreement") for the transfer from AmRest to Glovo of 100% shares in Restaurant Partner Polska Sp. z o.o. ("PizzaPortal"). At 30 September 2019, Restaurant Partner Polska Sp. z o.o. was classified as a disposal group held for sale. On 28 October, due to satisfaction of conditions precedent, AmRest transferred 100% of shares in PizzaPortal to Glovo. The price consideration (EUR 35 million, including earn-out as the requirements have been met) is secured by the registered pledge on Pizza Portal shares.

3. Shareholders of AmRest Holdings SE

To the best of AmRest's knowledge as at 31 December 2019 AmRest Holdings had the following shareholder structure:

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

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

4. External debt

In the reporting period covered by this report the Company did not enter in any significant agreements concerning external debt nor issue any debt instruments.

5. Information on dividends paid

Dividends have not been distributed during the 12 months ended 31 December 2019.

6. Changes in the Company's Governing Bodies

According to the share sale agreement between Gosha Holdings, S.à.r.l. and FCapital Dutch, B.V. described in "Significant events and transactions in 2019" section of this report, the proprietary directors of Gosha Holdings, S.à.r.l. at AmRest's Board, Mr. Henry McGovern and Mr. Steven Kent Winegar, resigned from their positions effective May 14, 2019. On the same date, Ms. Romana Sadurska and Mr. Emilio Fullaondo Botella were co-opted by the Board as independent directors.

Consequently, the composition of the Board of Directors was adapted; being formed by 4 independent members after the appointments of Ms. Romana Sadurska and Mr. Emilio Fullaondo Botella, and 3 proprietary directors representing Finaccess.

As per article 529 point 2.b) of the Spanish Capital Companies Act, both appointments shall be submitted for ratification to the next General Shareholders Meeting.

In addition, on this date, following the recommendation of the Compensations and Remuneration Committee, the Board has also resolved to appoint Mr. Mark Chandler as CEO of AmRest, and Mr. Eduardo Zamarripa as new Chief Financial Officer of AmRest.

As at 31 December 2019 the composition of the Board of Directors was as follows:

- Mr. José Parés Gutiérrez
- Mr. Carlos Fernández González
- Mr. Luis Miguel Álvarez Pérez
- Mr. Emilio Fullaondo Botella
- Ms. Romana Sadurska
- Mr. Pablo Castilla Reparaz
- Mr. Mustafa Ogretici
- Eduardo Rodríguez-Rovira Rodríguez (Secretary, non-Board member)
- Jaime Tarrero Martos (Deputy Secretary, non-Board member)

As at the day of publication of this Report the composition of the Board of Directors has not changed.

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

During the year 2019 the following changes occurred with respect to AmRest shares and stock options held by the members of the Board of Directors of AmRest.

According to the best knowledge of AmRest, following members of the Board of Directors owned in this reporting period the Issuer's shares: Mr. Carlos Fernández González, Mr. Henry McGovern and Mr. Steven Kent Winegar Clark.

As at 31 December 2018 FCapital Dutch B.V. – the closely associated person of Mr. Carlos Fernández González (member of the Company's Board of Directors) held 123 777 447 shares of the Company with a total nominal value of EUR 12 377 744.7. On 31 December 2019, as a result of execution of the share sale agreement with Gosha Holdings S.a.r.l. settled on 9 May 2019, FCapital Dutch B.V. held 147 203 760 AmRest's shares with a total nominal value of EUR 14 720 376.

As at 31 December 2018 Mr. Henry McGovern held directly 172 340 AmRest's shares with a total nominal value of EUR 17 234. On 14 May 2019 (being the last day of his term of office on the Board) he held 302 340 shares of the Company with a total nominal value of EUR 30 234.

As at 31 December 2018 Gosha Holdings S.a.r.l. - the closely associated person of Mr. Henry McGovern and Mr. Steven Kent Winegar (the Company's Board of Directors members) held 23 426 313 shares of the Company with a total nominal value of EUR 2 342 631.3. On 31 December 2019, as a result of execution of the share sale agreement with FCapital Dutch, B.V. settled on 9 May 2019, Gosha Holdings S.a.r.l. didn't hold any AmRest's shares.

As at 31 December 2018 FCapital Dutch B.V. – the closely associated person of Mr. Carlos Fernández González (member of the Company's Board of Directors) held 123 777 447 shares of the Company with a total nominal value of EUR 12 377 744.7. On 31 December 2019, as a result of execution of the share sale agreement with Gosha Holdings S.a.r.l. settled on 9 May 2019, FCapital Dutch B.V. held 147 203 760 AmRest's shares with a total nominal value of EUR 14 720 376.

8. Transactions on own shares concluded by AmRest

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

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

In the period between 1 January 2019 and 31 December 2019, AmRest purchased a total of 89 000 own shares. with a total nominal value of EUR 8 900.0 and representing 0.0405% of the share capital for a total price of approx. PLN 3.9 million (EUR 0.9 million). During the same period, the Company disposed a total of 951 323 own shares with a total nominal value of EUR 95 132.3 and representing 0.4333% of the share capital to entitled participants of the stock options plans. Disposal transactions under these plans were executed in three settlement methods, which impacted the sale price. Major part of the shares was transferred to the participants free of charge. As at 31 December 2019 AmRest held 724 415 own shares with a total nominal value of EUR 72 441.5 and representing 0.3299% of the share capital.

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

9. Basic risks and threats the company is expose to

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

Risk related to keeping key personnel in the Group

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

Currency risk

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

Risk of increased financial costs

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

Liquidity risk

AmRest Holdings SE is exposed to the risk of lack of financing now of maturity of bank loans and bonds. As at 31 December 2019, AmRest Holdings SE has enough short-term assets, including cash and promised credit limits, to fulfil is liabilities due in the next 12 months.

Tax risk

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

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

Cyberattack risk

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

(all figures in EUR millions unless stated otherwise)

10. Number of employees

The average number of employees, distributed by categories, for the year 2019 and 2018 is a follow:

	Year ended	
Categories	**31 December 2019**	**31 December 2018**
Executive Managers	2.0	1.0
Managers and others	3.0	1.0
	5.0	**2.0**

The number of employees, distributed by gender, as at 31 December 2019 and 2018 is as follow:

Gender	**31 December 2019**			**31 December 2018**		
	Total	**Males**	**Female**	**Total**	**Males**	**Female**
Board Members	**7**	**6**	**1**	**7**	**7**	**-**
Executive Managers	**2**	**2**	**-**	**1**	**1**	**-**
Other Managers and others	**4**	**2**	**2**	**1**	**1**	**-**
	13	**10**	**3**	**9**	**9**	**-**

There are no employees with a disability rating of 33% or higher during 2019.

11. Average payment period

During the year ended on 31 December 2019, the average payment period was 29 days, which is below the maximum established in the regulations.

12. Subsequent Events

On 28 February 2020 AmRest Holding's SE registered office was changed from Enrique Granados 6, 28224 Pozuelo de Alarcón (Madrid), Spain to Paseo de la Castellana 163, 28046 (Madrid), Spain.

13. Annual Corporate Governance Report

The Annual Corporate Governance Report is an integral part of this Management Report and is presented in the consolidated management report for the 2019 financial year of AmRest Holdings SE and subsidiaries.

Signatures of the Board of Directors

José Parés Gutiérrez
Chairman of the Board

Luis Miguel Álvarez Pérez
Vice-Chairman of the Board

Carlos Fernández González
Member of the Board

Emilio Fullaondo Botella
Member of the Board

Romana Sadurska
Member of the Board

Pablo Castilla Reparaz
Member of the Board

Mustafa Ogretici
Member of the Board

Madrid, 28 February 2020

STATEMENT OF RESPONSIBILITY OF AMREST HOLDINGS, SE

The members of the Board of Directors of AMREST HOLDINGS, SE ("**AmRest**" or the "**Company**") on its meeting held on 28 February 2020, and according to article 118 of the reinstated text of the Spanish Securities Markets Act approved by Royal Legislative Decree 4/2015 of 23 October as well as to article 8 b) of Royal Decree 1362/2007, of 19 October, declare that, as far as they are aware, the individual Annual Accounts of the Company, as well as the consolidated ones with its dependent companies, corresponding to the financial year ended 31 December 2019, drawn up by the Board of Directors on the referred meeting of 28 February 2020 and prepared in accordance with the applicable accounting principles, offer a true and fair image of the equity, the financial situation and the results of the Company and the companies within the consolidation taken as a whole, and the complementary management reports of the individual and consolidated Annual Accounts include an accurate analysis of the business evolution and results and of the position of AmRest and the companies within the consolidation taken as a whole, together with the main risks and uncertainties which they face.

The members of the Board of Directors, in proof of compliance, sign this sheet:

Mr. José Parés Gutiérrez *Chairman*	Mr. Luis Miguel Álvarez Pérez *Director*
Mr. Carlos Fernández González *Director*	Mr. Emilio Fullaondo Botella *Director*

Ms. Romana Sadurska *Director*	Mr. Pablo Castilla Repáraz *Director*	Mr. Mustafa Ogretici *Director*

I, Eduardo Rodríguez-Rovira Rodríguez, Secretary non-member of the Board of Directors, certify the authenticity of the foregoing signatures of the gentlemen whose name appears in the lower part of the corresponding signature and who are all members of the Board of Directors of the Company.

Madrid, on 28 February 2020.

D. Eduardo Rodríguez-Rovira Rodríguez
Secretary non-member of the Board of Directors of AmRest Holdings, SE

Mr. Eduardo Rodríguez-Rovira Rodríguez, in the name and on behalf of AMREST HOLDINGS, SE ("**AmRest**" or the "**Company**"), a Spanish company with Tax Identification Number (N.I.F.) A-88063979, in his capacity as Secretary non-member of the Board of Directors of the Company,

CERTIFY

I. That the documentation sent to the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) through the CIFRADOC/CNMV electronic mailing service (i.e., the AmRest Annual Accounts and Management Report (*Informe de Gestión*), both individual and consolidated, for the year ended 31 December 2019, drafted by the Board of Directors at its meeting on 28 February 2020 for approval by the General Shareholders' Meeting, as well as the statement of responsibility), are copies of the original documentation drawn up by the Board of Directors of the Company and signed by all its members at its meeting on 28 February 2020.

II. That the Annual Accounts and the Management Report (*Informe de Gestión*) of the Company, both individual and consolidated, for the financial year ended 31 December 2019 sent through the electronic delivery service CIFRADOC/CNMV correspond to those audited by KPMG Auditores, S.L.

III. That the audit reports on the Annual Accounts corresponding to the financial year ended 31 December 2019, made available to the directors and sent by electronic mail CIFRADOC/CNMV, are copies of the originals signed on 28 February 2020 by Mr. Carlos Peregrina, partner of KPMG Auditores, S.L., auditor of the Company's accounts.

And for the record, I issue this certificate in Madrid, on 28 February 2020.

Amrest Holdings, SE

VºBº / Approved

Mr. José Parés Gutiérrez Chairman of the Board of Directors	Mr. Eduardo Rodríguez-Rovira Rodríguez Secretary non-member of the Board of Directors