

**POLREST S.A.**

Krakow, 05 June 2009

seated in Krakow

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NIP [tax identification no.]: 677-20-47-370

share capital: PLN 625 000.00

contributed capital: PLN 625 000.00

State Court Register no. [KRS]: 0000138155

court of register: District Court for Krakow-Śródmieście

11<sup>th</sup> Economic Dept. of the State Court Register

**STATEMENT OF REASONS FOR DRAFT RESOLUTIONS NOS. 19, 20 AND 21**

**RECOMMENDED BY THE COMPANY'S MANAGING BOARD**

**FOR SHAREHOLDERS TO ADOPT DURING THE ORDINARY GENERAL MEETING TO BE HELD ON 12 JUNE 2009**

Because the resolutions recommended by the managing board of the company named PolRest S.A. seated in Krakow for the company's Shareholders to adopt at the Ordinary General Meeting of Shareholders to be held 12 June 2009 concern mostly order-related or formal issues or are typical resolutions adopted in the course of Ordinary General Meetings of Shareholders, the company's managing board shall limit itself in the present letter to stating the reasons for just three of the twenty-one resolutions recommended for the Shareholders of PolRest S.A. seated in Krakow to adopt during the OGMS convened for 12 June 2009.

In the current report no. 12/2009 published by the company on 04 June 2009 with the appended draft resolutions that the company's managing board is going to ask the Shareholders to adopt during the closest OGMS, the statement of reasons provided below shall refer to the draft resolutions nos. 19, 20 and 21.

Because the adoption of all three abovementioned resolutions proposed by the company's managing board to the Shareholders of PolRest S.A. during the GMS to be convened on 12 June 2009, is aimed at making it possible to meet one objective exclusively, the company's managing board finds it appropriate to present one joint statement of reasons for all the three drafts.

Through persuading the company's Shareholders to adopt draft resolutions nos. 19, 20 and 21 the managing board of the company named PolRest S.A. wishes to meet the objective of bringing about consolidation, in other words merger of the company named PolRest S.A. with another entity whose core activity is similar to that of PolRest S.A., i.e. concerns the sale of catering services, in order to create a new entity with a much better competitive position on the catering market than PolRest S.A. present position, with a much better capitalization (as compared to the present market valuation of the company named PolRest S.A.), and – perhaps most importantly – with a real capacity to quickly take further consolidating action

on the domestic market of catering services (e.g. by taking over other entities within the industry for further mergers).

The managing board of the company named PolRest S.A. indicated already in its issue prospectus that the specifically Polish split on the catering services market is a great opportunity to achieve market success for an entity that has the required resources and at the same time is on one hand determined enough to consistently carry out consolidating activities in the long-run, and on the other hand – has a **vision** of an objectively feasible **purpose** of such action – i.e. a concrete vision of the new target entity established through market consolidation.

In the view of the PolRest S.A. managing board there is no question that to develop an enterprise whose core activity is the sale of catering services in Poland – in a limited way – through independent investment aimed at gradual opening of new catering facilities, is very limited. Though this is due to many various circumstances, for the purpose of the present document it is enough, in the PolRest S.A. managing board's opinion, to refer to the applicable Polish formal and legal requirements that must be met by newly opening catering facilities, to the time needed for a particular facility to meet the requirements (taking into consideration the common rather than statutory length of procedures of the state and self-government bodies), to the huge differences in local regulations adopted by particular communities (e.g. concerning the principles of sale and service of alcoholic beverages), and to the variability of the applicable law (in particular of local law) – resulting possibly even in total economic unprofitability of business (e.g. in case of a repeated failure to obtain permission to sell alcoholic beverages in a given facility), etc. All the circumstances that significantly affect the duration of a particular investment, i.e. opening a new catering facility, often force investors to incur investment costs even for many years (resulting for instance from the maintenance of title to the unit where investment is carried out throughout the period of investment) **without** it at the same time being possible for that facility to generate revenue and therefore profit.

For reasons described above as well as for reasons purposefully not mentioned here though really existing – it has long been evident for the undersigned that only development effected through acquisitions (and/or mergers) of entities that have **already operating facilities** can lead, in a maximum period of several years that is feasible for an average investor, to the establishment of an enterprise whose competitive position on the Polish catering market is definitely higher than that of any newly created enterprise.

The belief of the management of the company named PolRest S.A. concerning the profitability of consolidating activities would in itself be sufficient for the company's managing board to take such action. Nevertheless, at the end of the third quarter of 2008 the managing board of PolRest S.A. parent company (i.e. of the Holding Kapitałowo-Inwestycyjny Spółka Akcyjna seated in Krakow), whose members were then both present members of the managing board of PolRest S.A., took knowledge that it was possible that the major shareholders of the PolRest S.A. parent entity would sell the counterfoil block of shares of HKI S.A., which would in practice mean an indirect acquisition by an entity whose

intentions and therefore also the resulting legal activities (regarding for instance the shares of PolRest S.A.) would be totally unknown for the managing board of PolRest S.A. until they had their particular legal effect. With this in mind, as early as in the fourth quarter of 2008 the managing board of PolRest S.A. started intensive negotiations with the other Shareholders of HKI S.A. aimed at ensuring the greatest possible influence of the PolRest S.A. managing board over the decisions that could potentially result in any change in the formal and legal status of the company named PolRest S.A., or in a change in the valuation of the shares issued by that company. The aforementioned efforts of the PolRest S.A. managing board resulted in all the HKI S.A. Shareholders' deciding unanimously in December last year that they were interested in an increase in the value of PolRest S.A. goodwill through a merger of the company named PolRest S.A. with another entity with the same core activity as PolRest S.A., in a legal form to be yet defined.

In addition it was decided that the partner of the company named PolRest S.A. in the described undertaking must be an entity with proper reputation, recognised home and abroad as provider of catering services at a scale at least similar to that of PolRest S.A. or greater that can prove that it has sufficient resources that could be allocated to further consolidating action on the domestic catering market or that could at least prove that it could at once or in the closest future use the funds of its Strategic Investor that is decided to finance another stage of consolidation.

HKI S.A. Shareholders decided to entrust the managing board of the company named PolRest S.A. with the negotiations with an entity selected in the way described above, that would at the same time declare its interest in consolidation.

Therefore the managing board of PolRest S.A., convinced that the method of dealing with the company named PolRest S.A. as adopted by the Shareholders of HKI S.A. is most beneficial for the company, decided in January this year to conclude a contract with IPOPEMA Securities Spółka Akcyjna seated in Warsaw, both for selecting an entity that meets the requirements referred to above, and is at the same time interested in the consolidation, as well as for counselling during the negotiations carried out by the managing board of the company named PolRest S.A., and for developing the most appropriate model of the negotiated transaction (including the legal form of merger) from the point of view of PolRest S.A.

The implementation of the said contract with IPOPEMA Securities S.A. as at the date of the present letter is as follows: having finally selected two entities that meet all the necessary conditions for the merger and that declare interest in the merger, the parties started negotiations that are in progress at the moment. IPOPEMA Securities S.A. has also prepared and presented to the PolRest S.A. managing board an optimum – in its view – transaction model approved by the PolRest S.A. managing board upon the implementation of its remarks.

For obvious reasons it is out of question that the PolRest S.A. managing board would now provide any information allowing to identify the entities with which negotiations are carried

out. However, it must be stressed that both entities meet **all** the aforementioned requirements for an entity that may be considered for merger with the PolRest S.A.

To justify the reasons why the managing board of PolRest S.A. recommended the company's Shareholders to adopt, among other, the resolutions worded as announced in the appendix to the current report no. 12/2009 of 04 June 2009 containing all draft resolutions suggested by the company's managing board to the Shareholders during the OGMS convened for 12 June 2009 (draft resolutions nos. 19, 20 and 21), the managing board of PolRest S.A. informs that in the case of PolRest S.A. consolidation with one of the entities with which negotiations are held at the moment, the most probable transaction model considered by the PolRest S.A. managing board would be to exchange the contracting companies' own shares, the possible exchange to be effected according to parity that has not yet been negotiated between the parties.

The merger would result among other things in the takeover by one of the contracting entities of control over the other contracting entity through the purchase by the entity that is to become the parent entity of nearly 66% of shares of the entity that is to become a subsidiary, through the company defined in the contract as parent company calling to buy up min. 66% of shares of the entity defined in the contract as subsidiary, and through possibly smooth merger of enterprises of the consolidating entities.

It should be stressed that as at 12 June 2009, i.e. the date of the OGMS of the company named PolRest S.A., none of the issues referred to in the preceding sentence was negotiated between the parties, therefore there are no arrangements to this end. The parties have not negotiated the business name of the enterprise resulting from consolidation, either. In the view of the managing board of PolRest S.A. it is going to be necessary in terms of the merger to offer all the Shareholders of both companies an exchange of the shares they hold of one or both companies subject to consolidation for shares to be issued by the entity resulting from the consolidation.

The managing board of PolRest S.A. is of the opinion that in view of the above explanations, Shareholders present at the OMS to be held on 12 June 2009, will decide to adopt during the Meeting resolutions worded as announced in the appendix to the current report no. 12/2009 of 04 June 2009 that contains all draft resolutions that the managing board recommends to the Shareholders at the closest GMS. It is evident in the managing board's view that in order to make possible the implementation of the intended transaction in a way similar to that presented in this letter, a required number of shares of the company named PolRest S.A. **must** be at exclusive disposal of the company's managing board. For this to happen it is necessary both that:

- a resolution be adopted to authorise the company's managing board to **independently increase the company's share capital** – within the limits defined in the resolution concerning the target capital (vide: draft resolution no. 19) **and that rights issue for the existing Shareholders be totally excluded** in the case of the company managing board's using the possibility to increase the company's share capital within the limits of the target capital (vide: draft resolution no. 20),

- and to adopt a resolution to enable PolRest S.A. to buy up part of its own shares (vide: draft resolution no. 21).

President of the managing board

Kornel Drozdowski

Vice- President of the managing board

Krzysztof Płaszewski