IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing.

This Document is not a prospectus. This Document is an unofficial translation of the Prospectus approved by the FSA for the initial public offering of shares in the Company by the Selling Shareholders. Neither the Company, nor the Managers makes any representation as to the accuracy, completeness or reliability of the information included in this Document and the Company cautions investors to take their investment decision exclusively based on the information included in this Prospectus and any supplement thereto, if published, as approved by the FSA in the Romanian language.

The following disclaimer applies to the electronic version of the English translation of the Prospectus attached to this notice (the "**Document**"), received via email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the attached Document.

In accessing the Document, you agree to be bound by the following terms and conditions and in particular restrictions set out in the Prospectus, including any modifications to them from time to time, each time you receive any information from WOOD & Company Financial Services, a.s., Raiffeisen Bank S.A. and Alpha Finance Romania S.A. (the "**Managers**"), Sphera Franchise Group S.A. ("**Sphera**" or the "**Company**") and Lunic Franchising and Consulting Ltd and M.B.L. Computers S.R.L. (the "**Selling Shareholders**") as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached Document is confidential and intended only for you and **you agree you will not forward, reproduce or publish this electronic transmission or the attached Document** (or any copy of it or part thereof) **in any manner whatsoever to any other person.**

The document and the offer when made are only addressed to and directed at persons in member states of the European Economic Area ("**EEA**"), other than Romania, who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive") ("Qualified Investors"). Any investment or investment activity to which this document relates is available only to (i) the public in Romania, and (ii) in any member state of the EEA other than Romania, to Qualified Investors, and will be engaged in only with such persons.

THIS DOCUMENT AND THE SECURITIES REFERENCED HEREIN MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND AS PERMITTED BY, REGULATION S UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION OF THE ATTACHED DOCUMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES.

Confirmation of your representation: The attached document is delivered to you at your request and on the basis that you have confirmed, and by accessing this Document you shall be deemed to have represented, to each of the Managers, the Company and the Selling Shareholders that (i) you are in Romania or (ii) you and the electronic mail address that you have provided are located outside United States (as defined in Regulation S under the Securities Act); or (iii) if you are in any member state of the EEA other than Romania, you are a Qualified Investor; or (iv) if you are acting as financial intermediary (as that term is used in Article 3(2) of the Prospectus Directive), the securities acquired by you as a financial intermediary in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may give rise to an offer of any securities to the public other than their offer or resale to Qualified Investors (as defined in the Prospectus Directive) in any member state of the EEA which has implemented the Prospectus Directive; or (v) you are outside the EEA (and the electronic mail addresses that you gave us and to which this document has been delivered are not located in such jurisdictions) or (vi) you are a person into whose possession this document may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located. In addition, by accessing this Document you have confirmed to the Managers, the Company and the Selling Shareholder, that (i) you have understood and agree to the terms set out herein, (ii) you consent to delivery by electronic transmission, (iii) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to purchase shares subject to the offering under the Prospectus.

This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company, the Selling Shareholders, the Managers, persons that control the Managers or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version.

You are reminded that this Document has been delivered to you and you have accessed it on the basis that you are a person into whose possession this Document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person and in particular to any U.S. address.

Restriction: Nothing in this electronic transmission constitutes an offer of securities for sale to persons other than the public in Romania or the specified qualified institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

The Managers are acting exclusively for the Selling Shareholders and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this document) as its client in relation to the offer and will not be responsible to anyone other than the Selling Shareholders and the Company, in accordance with the specific contractual terms agreed between them, for providing the protections afforded to its clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

You are responsible for protecting against viruses and other destructive items. Your receipt of the electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Sphera Franchise Group S.A.

(A joint stock company incorporated under the laws of Romania)

Offering of up to 9,831,753 existing shares in Sphera Franchise Group S.A. by Lunic Franchising and Consulting Ltd and by M.B.L. Computers S.R.L.

Price Range: RON 25/Share to RON 33/Share

This document has been approved by way of Decision 1508/20.10.2017 by the Romanian Financial Supervisory Authority (the "**FSA**"), which is the Romanian competent authority for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and relevant implementing measures in Romania, as a prospectus (the "**Prospectus**") in accordance with Law no. 24/2017 on issuers of financial instruments and market operations (the "**Issuers and Markets Operations Law**"), Regulation no. 1/2006 on issuers and operations with securities issued by the Romanian National Securities Commission (currently, the FSA) and Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing the Prospectus Directive as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended (the "**Prospectus Regulation**").

This Prospectus relates to an offering (the "**Offering**") of an aggregate number of up to 9,831,753 nominative, ordinary shares ("**Offered Shares**") in Sphera Franchise Group S.A., a joint stock company incorporated under the laws of Romania, registered with the Bucharest Trade Registry under number J40/7126/2017, sole registration code 37586457, with registered seat in 239 Calea Dorobanți str., 2nd floor, office 4, district 1, Bucharest, Romania (the "**Company**"). The Company has a share capital of RON 581,990,100 divided into 38,799,340 nominative, ordinary, book entry form shares, each of which is issued, fully paid with a par value of RON 15 and carrying one vote in the Company's general meetings of shareholders (the "**Shares**"). The Offered Shares are offered in the Offering as follows: (1) up to 8,667,773 ordinary shares in the Company by Lunic Franchising and Consulting Ltd, a company organized and existing under the laws of Cyprus, registered under no. HE 80898, with registered office at Riga Feraiou nr. 2, Limassol Center, Block B, 4th floor, office 406, 3095 Limassol, Cyprus ("**Lunic (Cyprus)**"); and (2) up to 1,163,980 ordinary shares in the Company by M.B.L. Computers S.R.L., a company organized and existing under the laws of Romania, registered with the Bucharest Trade Registry under No. J40/6119/1991, having its registered office at 15 Fabrica de Glucoză street, Bucharest, Romania ("**MBL (Romania)**") (Lunic (Cyprus) and MBL (Romania) are hereinafter referred to as the "**Selling Shareholders**").

The final offer price (the "**Final Offer Price**") of each Offered Share will be calculated based on the mechanics set out in "*Subscription and Sale*". After the successful closing of the Offering, the Company intends to apply for admission of the Shares to trading on the spot regulated market operated by Bursa de Valori Bucuresti S.A. (the Bucharest Stock Exchange) (the "**BSE**"), premium tier, under market symbol "SFG". The BSE is a regulated market in the European Economic Area (the "**EEA**") for the purposes of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (the "**Directive on Markets in Financial Instruments**"). Prior to the Offering, there has been no public market for the Shares.

In connection with the Offering, the Selling Shareholders have agreed that the Stabilising Managers will retain 10% of the gross proceeds obtained by the Selling Shareholders from the Offering (the "**Stabilisation Proceeds**") and will use such Stabilisation Proceeds for the purposes of conducting stabilisation activities, if any, in the Shares, during the period of not more than 30 calendar days after the commencement of trading of the Shares on the BSE (the "**Stabilisation Period**"), provided that the aggregate amount of Shares acquired by the Stabilising Managers in connection with such activities shall not exceed 983,175 Shares. Such stabilisation activities, if commenced, may be discontinued at any time and may be commenced from time to time on one or more occasions. The Stabilising Managers will not be required to take any stabilisation actions. No assurance may be given that such stabilisation actions, if taken, will bring the expected results.

The Offering is structured as an offering of Offered Shares: (1) in Romania to the public; and (2) outside the United States of America and outside Romania to non-US institutional investors in "offshore transactions" as defined in, and as permitted by, Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**").

An investment in the Shares involves a high degree of risks and uncertainties. Prospective investors should read the entire document, and, in particular, should see "*Risk Factors*" beginning on page 22 for a discussion of certain matters investors should consider prior to making an investment in the Shares. Prospective investors must be able to bear the economic risk of an investment in the Shares and should be able to sustain a partial or total loss of their investment.

THIS PROSPECTUS HAS BEEN APPROVED BY THE ROMANIAN FINANCIAL SUPERVISORY AUTHORITY. THE APPROVAL VISA APPLIED ON THIS PROSPECTUS DOES NOT CONSTITUTE A GUARANTEE OR ANY KIND OF ASSESSMENT BY THE ROMANIAN FINANCIAL SUPERVISORY AUTHORITY WITH REGARD TO THE OPPORTUNITY, ADVANTAGES OR DISADVANTAGES, PROFIT OR RISKS INVOLVED IN TRANSACTIONS TO BE EXECUTED FOLLOWING THE ACCEPTING OF THE OFFERING, OBJECT OF THE APPROVAL DECISION; THE APPROVAL CERTIFIES ONLY THE CONFORMITY OF THIS PROSPECTUS WITH THE LEGAL REQUIREMENTS AND THE RULES ADOPTED FOR THE APPLICATION THEREOF.

Sole Global Coordinator and Joint Bookrunner
WOOD & Company

Joint Bookrunner
Raiffeisen Bank

Co-Lead Manager
Alpha Finance Romania

Financial Adviser
Rothschild

The date of this Prospectus is 20 October 2017.

CONTENTS

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A-E (A.1–E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the note "not applicable".

Section A—Introduction and warnings		
A.1	*Warning.*	This summary should be read as introduction to this prospectus (the "**Prospectus**"); Any decision to invest in the shares the offering of which is the subject to this Prospectus (the "**Offered Shares**") should be based on consideration of the Prospectus as a whole by the investor; Where a claim relating to the information contained in the Prospectus is brought up before a court, the plaintiff investor might, under the national legislation of the Member States ("**Member States**") of the European Economic Area ("**EEA**"), have to bear the costs of translating the Prospectus before the legal proceedings are initiated; Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors, when considering whether to invest in the Offered Shares.
A.2	*Consent by the issuer or person responsible for drawing up the prospectus to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.*	Not applicable. Sphera Franchise Group S.A. (the "**Company**" or "**Sphera**") did not and does not consent to the use of the Prospectus for subsequent resale or final placement of the shares issued by the Company (the "**Shares**") by financial intermediaries or by any other third party.
Section B—Issuer and any guarantor		
B.1	*The legal and commercial name of the issuer.*	The legal and commercial name of the issuer is Sphera Franchise Group S.A..
B.2	*The domicile and legal form of the issuer, the legislation under which*	The Company is a joint stock company incorporated in Romania, registered with the Bucharest Trade Registry under number J40/7126/2017, sole registration code 37586457, with registered seat in 239 Calea Dorobanți str., 2nd floor, office 4, district 1, Bucharest, Romania. The Company operates in accordance with Romanian law and the Company's articles of association (the "**AoAs**").

	the issuer operates and its country of incorporation.	
B.3	*A description of, and key factors relating to, the nature of the issuer's current operations and its principal activities, stating the main categories of products sold and/or services performed and identification of the principal markets in which the issuer competes.*	Sphera is the holding company for the Group companies that hold rights to operate KFC branded restaurants in Romania, Republic of Moldova and certain regions in Northern Italy, and Pizza Hut branded restaurants and Taco Bell branded restaurants in Romania. As of 1 September 2017, it also provides to the benefit of its subsidiaries USFN (Romania) and ARS (Romania) services with respect to: finance and accounting, marketing, development, operational, and human resources activities. The Group (as defined in B.5 below) operates in three segments of the foodservice sector: quick-service restaurants (through the KFC brand), full-service restaurants (through the Pizza Hut Dine-In brand) and home delivery (through the Pizza Hut Delivery brand). In the KFC restaurants, we sell food and beverage products either individually or as a part of a price-attractive bundle labelled "menu". Generally, the menus include three main components: a portion of a chicken-based product (sandwiches, wrappers or pieces of chicken meat), a medium-sized portion of French fries and a medium-sized non-alcoholic drink. A dipping sauce is also offered in some menu offers. Whereas menus are normally sized for one person, we also offer products, called Buckets, that are targeted for group consumption (normally, up to four people) and which consist of higher number of chicken meat pieces and some include portions of French fries and non-alcoholic drinks. In Pizza Hut restaurants, we sell pizza, pasta, side dishes, deserts and beverage products. The food offered in our restaurants includes proprietary menu items, the recipes of which are generally sourced from the Yum! restaurants across the world or developed in-house. The first Taco Bell restaurant was opened on 12 October 2017.
B.4a	*A description of the most significant recent trends affecting the issuer and the industries in which it operates.*	Sales in modern retailing have surpassed traditional retail throughout the country, leading to changes in shopping habits, as well as in foodservice consumption generally. The main attraction of modern shopping centres is easy access to both entertainment and shopping facilities in close proximity to food courts that offer meals. With investors continuing to develop large shopping centres across major cities whilst tracking shopping galleries around hypermarkets, this trend has significantly contributed to the strong development of consumer foodservice through retail units, which increased by over 12% in value terms and 10% in transaction terms in 2016 compared with the previous year (*Euromonitor, Consumer Foodservice in Romania, May 2017*). We believe that the following main factors that have supported the foodservice sector's growth in recent years will continue to play a key role in the sector's development over the next few years: • On average, the Romanian population eats out of home less frequently than in more developed countries and we expect the Romanian average to move towards the international trend; • Expected growth of disposable income and continuously increasing levels of female employment will further support the trend of eating out; • Romania remains underpenetrated in terms of foodservice restaurants per capita; and • Strong minimum wage and average salary increase since 2014 resulted in strong price increase across all foodservice formats; furthermore, the current Romanian Government has indicated its intention to continue the policy of increasing the minimum wage at rates that are significantly higher than overall economic growth and consumer price inflation, leading to further increases in the purchasing power of the population. At the same time, the increases of the minimum wage and average salary have also resulted in the increase of our labour costs.
B.5	*If the issuer is part of a group, a description of the group and the issuer's position*	Sphera is the parent company of: • US Food Network S.A., Romania (USFN (Romania)) holding franchise rights to operate KFC branded restaurants in Romania; • American Restaurant System S.A., Romania (ARS (Romania)) holding franchise rights to operate Pizza Hut branded restaurants in Romania; • US Food Network S.A., Italy (USFN (Italy)) holding franchise rights to operate KFC branded restaurants in certain northern regions of Italy;

<table>
<tr><td></td><td>within the group.</td><td>

- US Food Network S.R.L., Republic of Moldova (USFN (Moldova)) operating KFC branded restaurants in the Republic of Moldova;
- California Fresh Flavors S.R.L., Romania (California Fresh Flavors (Romania)) holding franchise rights to operate Taco Bell restaurants in Romania.

Sphera together with its subsidiaries listed above are referred to in this Summary as the "**Group**".

The shareholders of Sphera are:

- Lunic Franchising and Consulting Ltd (Cyprus) ("**Lunic (Cyprus)**");
- M.B.L. Computers S.R.L. (Romania) ("**MBL (Romania)**");
- Tatika Investments Ltd. (Cyprus) ("**Tatika (Cyrpus)**");
- Anasa Properties S.R.L. (Romania) ("**Anasa Properties (Romania)**");
- Wellkept Group S.A. (Romania) ("**Wellkept (Romania)**").

Ultimately, Lunic (Cyprus) and Anasa Properties (Romania) are owned by Mr. Lucian Vlad, MBL (Romania) is owned by Mr. Nicolae Badea and Tatika (Cyprus) and Wellkept (Romania) are owned by Mr. Radu Dimofte.
</td></tr>
<tr><td>B.6</td><td>In so far as is known, the name of any person who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest. Whether the issuer's major shareholders have different voting rights if any. To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control.</td><td>

On the date of the Prospectus, no voting rights in Sphera are notifiable according to the Romanian law. The shareholders structure of Sphera on the date of the Prospectus is the following:

<table>
<tr><th>Shareholder</th><th>Number of shares</th><th>Percentage of voting rights</th></tr>
<tr><td>Tatika Investments Ltd.</td><td>10,603,860</td><td>27.33%</td></tr>
<tr><td>Wellkept Group S.A.</td><td>6,339,812</td><td>16.34%</td></tr>
<tr><td>Lunic Franchising and Consulting Ltd.</td><td>8,667,773</td><td>22.34%</td></tr>
<tr><td>Anasa Properties S.R.L.</td><td>4,264,047</td><td>10.99%</td></tr>
<tr><td>M.B.L. Computers S.R.L.</td><td>8,923,848</td><td>23.00%</td></tr>
<tr><td>Total</td><td>38,799,340</td><td>100.00%</td></tr>
</table>

After the admission of the Shares to trading on the spot regulated market operated by the Bucharest Stock Exchange ("**BSE**"), if following the acquisition or sale of or other operations in Shares, the proportion of voting rights held by a person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 33%, 50% or 75% of the total voting rights, that person must notify the Company of the proportion of the voting rights held promptly, but not later than 4 trading days.

The shareholders of the Company have equal voting rights.

None of the shareholders listed above exercises control or common control over the Company.
</td></tr>
<tr><td>B.7</td><td>Selected historical key financial information regarding the issuer,</td><td>

The following have been identified as the Group's historical financial statements for the purpose of this Prospectus:

- US Food Network S.A. Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union for the years ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively, audited ("**USFN**
</td></tr>
</table>

presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information. This should be accompanied by a narrative description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information

(Romania) Annual Financial Statements");

- American Restaurant System S.A. Financial Statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union for the years ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively, audited ("**ARS (Romania) Annual Financial Statements**");
- American Restaurant System S.A. Interim Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union for the period ended 30 June 2017, unaudited ("**ARS (Romania) Interim Financial Statements**"); and
- Sphera Franchise Group S.A. Interim Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union for the period ended 30 June 2017, unaudited ("**Sphera Interim Financial Statements**").

Summary of the consolidated statement of comprehensive income of USFN (Romania) and of Sphera

	Year ended 31 December			Six months ended 30 June	
All data are in RON thousand unless otherwise stated	**2014**	**2015**	**2016**	**2016**	**2017**
				Unaudited	
Restaurant sales	**261,782**	**329,963**	**417,535**	**193,220**	**242,204**
Restaurant expenses	**215,352**	**264,693**	**339,314**	**156,197**	**197,650**
Food and materials	98,405	123,141	157,302	74,225	87,944
Payroll and employee benefits	40,400	50,513	69,577	30,623	43,430
Rent	20,366	22,544	27,498	12,984	17,001
Royalties	15,406	19,382	24,654	11,380	14,125
Advertising	13,187	16,715	20,736	8,457	11,724
Other operating expenses, net	19,350	24,565	30,313	14,330	18,474
Depreciation and amortization	8,238	7,833	9,234	4,198	4,952
Restaurant operating profit	**46,430**	**65,270**	**78,221**	**37,023**	**44,554**
General and administration expenses, net	15,299	16,132	22,975	10,625	15,832
Operating profit	**31,131**	**49,138**	**55,246**	**26,398**	**28,722**
Finance costs	978	531	825	978	440
Finance income	240	398	95	125	109
Profit before tax	**30,393**	**49,005**	**54,516**	**25,545**	**28,391**
Income tax expense/(credit)	4,528	7,251	5,783	3,315	1,189
Profit for the period	**25,865**	**41,754**	**48,733**	**22,230**	**27,202**
Attributable to:					
Equity holders of the parent	25,716	41,597	48,693	22,216	27,090
Non-controlling interests	149	157	40	14	112
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):	0	0	0	(21)	(30)
Exchange differences on translation of foreign operations	(10)	(92)	83		
Total comprehensive income for the period, net of tax	**25,855**	**41,662**	**48,816**	**22,209**	**27,172**
Attributable to:					
Equity holders of the parent	25,708	41,513	48,774	22,198	27,060
Non-controlling interests	147	149	42	11	112

Source: USFN (Romania) Annual Financial Statements; Sphera Interim Financial Statements, unaudited

Summary of the consolidated statement of financial position of USFN (Romania) and of Sphera

	31 December			
All data are in RON thousand unless otherwise stated	**2014**	**2015**	**2016**	**30-Jun-17**
				Unaudited
Assets				
Non-current assets	**41,658**	**45,562**	**54,246**	**143,055**
Property, plant and equipment	37,779	41,084	47,551	81,159
Intangible assets	3,765	4,298	6,365	60,475
Trade and other receivables				285

Deposits for rent guarantee	95	163	290	668
Deferred tax assets	19	17	40	468
Current assets	**38,275**	**55,497**	**65,399**	**51,769**
Inventories	4,161	5,717	5,744	7,458
Trade and other receivables	3,473	4,438	8,780	5,077
Prepayments	1,729	1,743	1,907	3,418
Cash and short-term deposits	28,912	43,599	48,968	35,816
Assets held for sale				195
Total assets	**79,933**	**101,059**	**119,645**	**195,019**
Equity and liabilities				
Total equity	**33,456**	**50,482**	**58,253**	**100,342**
Equity attributable to equity holders of the parent	**33,449**	**50,479**	**58,292**	**100,339**
Issued capital	190	190	190	581,990
Share premium				(520,557)
Other capital reserves	19	19	19	-
Retained earnings	33,278	50,392	58,124	38,977
Foreign currency translation reserve	(38)	(122)	(41)	(71)
Non-controlling interests	7	3	(39)	3
Non-current liabilities	**12,010**	**15,349**	**16,304**	**33,223**
Interest-bearing loans and borrowings	8,773	11,787	14,630	31,227
Trade and other payables	1,597	1,827	1,674	1,996
Deferred tax liabilities	1,640	1,735	-	
Current liabilities	**34,467**	**35,228**	**45,088**	**61,454**
Trade and other payables	27,950	28,594	37,292	45,650
Interest-bearing loans and borrowings	6,378	6,634	7,796	15,804
Provisions	139	-	-	
Total liabilities	**46,477**	**50,577**	**61,391**	**94,677**
Total equity and liabilities	**79,933**	**101,059**	**119,645**	**195,019**

Source: USFN (Romania) Annual Financial Statements; Sphera Interim Financial Statements, unaudited

Summary of the consolidated statement of cash flows of USFN (Romania) and of Sphera

	Year ended 31 December			Six months ended 30 June	
All data are in RON thousand unless otherwise stated	**2014**	**2015**	**2016**	**2016** Unaudited	**2017**
Operating activities					
Profit before tax	30,393	49,005	54,516	25,545	28,391
Adjustments to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment	8,044	7,628	8,977	4,394	5,692
Amortisation and impairment of intangible assets	675	698	847	390	487
Net foreign exchange differences	(116)	181	60	(65)	(71)
Gain on disposal of property, plant and equipment	740	(10)	92	148	-
Finance income	(240)	(398)	(95)	(125)	(109)
Finance costs	555	424	536	332	395
Movement in current assets allowances	165	12	5		
Movements in provisions, pensions and government grants	(1,226)	(139)	0		
Working capital adjustments:					
Decrease/(Increase) in trade and other receivables and prepayments	(553)	(989)	(4,574)	835	4,794
Decrease/(Increase) in inventories	(652)	(1,570)	(27)	314	(516)
Increase/(Decrease) in trade and other payables	8,035	459	8,655	(2,933)	(5,281)
Interest received	192	342	31	125	109
Interest paid	(561)	(453)	(561)	(324)	(434)
Income tax paid	(3,452)	(6,698)	(7,619)	(4,078)	(1,848)
Net cash flows from operating activities	**41,999**	**48,491**	**60,843**	**24,558**	**31,609**
Investing activities					
Proceeds from sale of property, plant and equipment	2	27	0	8	-
Purchase of intangible assets	(430)	(1,246)	(2,916)	(1,573)	(1,132)

Purchase of property, plant and equipment	(4,108)	(10,935)	(15,536)	(6,294)	(14,596)
Acquisition of subsidiary, net of cash				-	2,161
Net cash flows used in investing activities	**(4,536)**	**(12,154)**	**(18,452)**	**(7,859)**	**(13,567)**
Financing activities					
Capital contribution from shareholders of Sphera on set up, net of transaction costs paid				-	1,151
Proceeds from borrowings	3,382	10,993	11,704	3,552	19,225
Repayment of borrowings	(7,531)	(7,730)	(7,480)	(3,678)	(5,051)
Payment of finance lease liabilities	(155)	(185)	(284)	(156)	(134)
Dividends paid to equity holders of the parent	(12,664)	(24,483)	(40,961)	(40,961)	(46,237)
Dividends paid to non-controlling interests	(133)	(153)	(84)	-	(70)
Net cash flows from/(used in) financing activities	**(17,101)**	**(21,558)**	**(37,105)**	**(41,263)**	**(31,116)**
Net increase/(decrease) in cash and cash equivalents	20,362	14,779	5,286	(24,564)	(13,074)
Net foreign exchange difference	(10)	(92)	83	(18)	(78)
Cash and cash equivalents at 1 January	8,560	28,912	43,599	43,599	48,968
Cash and cash equivalents at end of period	**28,912**	**43,599**	**48,968**	**19,017**	**35,816**

Source: USFN (Romania) Annual Financial Statements; Sphera Interim Financial Statements, unaudited

Summary of the statement of comprehensive income of ARS (Romania)

	Year ended 31 December			Six months ended 30 June	
All data are in RON thousand unless otherwise stated	**2014**	**2015**	**2016**	**2016**	**2017**
				Unaudited	
Restaurant sales	**63,130**	**75,867**	**96,940**	**46,398**	**54,210**
Restaurant expenses	**51,952**	**59,962**	**82,329**	**37,684**	**46,486**
Food and materials	16,881	19,718	26,107	12,606	14,830
Payroll and employee benefits	12,001	14,622	22,383	9,608	13,690
Rent	6,081	6,476	8,027	3,672	4,692
Royalties	3,697	4,448	5,702	2,721	3,166
Advertising	3,590	4,245	5,785	2,727	2,973
Other operating expenses, net	7,514	8,339	11,659	5,234	5,386
Depreciation and amortization	2,188	2,114	2,666	1,116	1,749
Restaurant operating profit	**11,178**	**15,905**	**14,611**	**8,714**	**7,724**
General and administration expenses, net	6,094	7,751	8,982	4,338	5,732
Operating profit	**5,084**	**8,154**	**5,629**	**4,376**	**1,992**
Finance costs	309	482	213	81	187
Finance income	7	19	127	93	6
Profit before tax from continuing operations	**4,782**	**7,691**	**5,543**	**4,388**	**1,811**
Income tax expense	667	1,170	361	626	772
Profit for the period from continuing operations	**4,115**	**6,521**	**5,182**	**3,762**	**1,039**
Discontinued operations					
Profit/(loss) after tax for the year from discontinued operations	(595)	(397)	(1,953)	293	-
Profit for the period	**3,520**	**6,124**	**3,229**	**4,055**	**1,039**

Source: ARS (Romania) Annual Financial Statements; ARS (Romania) Interim Financial Statements, unaudited.

Summary of the statement of financial position of ARS (Romania)

	31 December	

All data are in RON thousand unless otherwise stated	2014	2015	2016	30-Jun-17
				Unaudited
Assets				
Non-current assets	**10,777**	**15,262**	**21,374**	**22,799**
Property, plant and equipment	9,653	13,265	18,201	19,511
Intangible assets	1,007	1,749	2,917	2,757
Trade and other receivables				285
Deposits for rent guarantee	117	248	256	246
Current assets	**14,806**	**18,562**	**11,612**	**6,225**
Inventories	6,986	6,758	1,111	1,206
Trade and other receivables	5,849	5,363	6,089	1,513
Prepayments	665	867	1,118	1,186
Cash and short-term deposits	1,306	5,574	3,294	2,320
Assets held for sale	0	0	195	195
Total assets	**25,583**	**33,824**	**33,181**	**29,219**
Equity and liabilities				
Total equity	**6,607**	**8,781**	**5,980**	**3,651**
Issued capital	1,644	1,644	1,644	1,644
Share premium	0	0	0	
Other capital reserves	21	21	21	21
Retained earnings	4,942	7,116	4,315	1,986
Non-current liabilities	**1,243**	**4,448**	**7,865**	**7,273**
Interest-bearing loans and borrowings	492	3,692	7,536	6,950
Trade and other payables	307	302	329	323
Deferred tax liabilities	444	454	0	
Current liabilities	**17,733**	**20,595**	**19,336**	**18,295**
Trade and other payables	16,298	18,477	15,401	13,967
Interest-bearing loans and borrowings	1,435	2,118	3,935	4,328
Total liabilities	**18,976**	**25,043**	**27,201**	**25,568**
Total equity and liabilities	**25,583**	**33,824**	**33,181**	**29,219**

Source: ARS (Romania) Annual Financial Statements; ARS (Romania) Interim Financial Statements, unaudited

Summary of the statement of cash flows of ARS (Romania)

	Year ended 31 December			Six months ended 30 June	
All data are in RON thousand unless otherwise stated	**2014**	**2015**	**2016**	**2016**	**2017**
				Unaudited	
Operating activities					
Profit before tax from continuing operations	4,782	7,691	5,543	4,388	1,811
Profit/(loss) before tax from discontinued operations	(708)	(477)	(2,141)	349	-
Profit before tax	4,074	7,214	3,402	4,737	1,811
Adjustments to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment	2,268	2,208	2,862	1,294	1,609
Amortisation and impairment of intangible assets	202	210	323	147	207
Impairment allowance of property, plant and equipment	-	-	966		
Net foreign exchange differences	(129)	3	54	2	(8)
Gain on disposal of property, plant and equipment	391	(56)	115	6	(4)
Finance income	(7)	(19)	(18)	(15)	(6)
Finance costs	100	97	213	81	157
Movements in current asset allowances	2	19	-	-	(63)
Working capital adjustments:					
Decrease/(increase) in trade and other receivables and prepayments	(2,146)	153	(985)	2,187	4,233
Decrease/(increase) in inventories	(673)	209	5,647	(2,420)	(32)
Increase/(Decrease) in trade and other payables	1,828	1,896	(2,489)	(483)	(2,212)
Interest received	7	19	18	15	6
Interest paid	(100)	(119)	(240)	(96)	(162)
Income tax paid	(592)	(801)	(1,186)	(928)	-
Net cash flows from operating	**5,225**	**11,033**	**8,682**	**4,527**	**5,536**

activities					
Investing activities					
Proceeds from sale of property, plant and equipment	15	56	33	-	8
Purchase of intangible assets	(44)	(953)	(1,491)	(496)	(47)
Purchase of property, plant and equipment	(1,119)	(5,819)	(9,107)	(4,139)	(2,923)
Net cash flows used in investing activities	**(1,148)**	**(6,716)**	**(10,565)**	**(4,635)**	**(2,962)**
Financing activities					
Proceeds from borrowings	-	6,359	8,603	3,762	1,838
Repayment of borrowings	(2,151)	(2,458)	(2,769)	(1,297)	(1,920)
Payment of finance lease liabilities	(107)	-	(201)	(81)	(98)
Dividends paid to equity holders	(1,800)	(3,950)	(6,030)	(6,030)	(3,368)
Net cash flows from/(used in) financing activities	**(4,058)**	**(49)**	**(397)**	**(3,646)**	**(3,548)**
Net increase in cash and cash equivalents	19	4,268	(2,280)	(3,754)	(974)
Cash and cash equivalents at 1 January	1,287	1,306	5,574	5,574	3,294
Cash and cash equivalents at end of period	**1,306**	**5,574**	**3,294**	**1,820**	**2,320**

Source: ARS (Romania) Annual Financial Statements; ARS (Romania) Interim Financial Statements, unaudited

Since 30 June 2017, the reference date of Sphera Interim Financial Statements, there has been no significant change in the financial or trading position of the Group.

B.8

Selected key pro forma financial information, identified as such.

The selected key pro forma financial information must clearly state the fact that because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results

The Pro forma Financial Information was prepared to illustrate the consolidated operational performance of the Group for the twelve months periods ended 31 December 2014, 31 December 2015 and 31 December 2016 and for the six-month period ended 30 June 2017, respectively, as if the incorporation of the Company and the contribution of USFN (Romania) shares and of ARS (Romania) shares to the Company's share capital took place on 1 January 2014, 1 January 2015 and 1 January 2016, and 1 January 2017, respectively. The acquisition by the Company of the shares in USFN (Italy) and in USFN (Moldova) from USFN (Romania), which has no impact on the consolidated financial statements of the Company, and the incorporation of California Fresh Flavors (Romania) are not adjusted for in the Pro forma Consolidated Financial Information.

USFN (Romania) and ARS (Romania) had identical shareholder structures and also their key management personnel was preponderantly the same since 2012. Therefore, although from an IFRS perspective the criteria to qualify as being "under common control" are not met (since none of the shareholders had control or common control), the presentation of the Pro forma Information is reflective of the manner in which the two business segments (KFC operated by USFN (Romania) and Pizza Hut operated by ARS (Romania)) were managed together.

Because of its nature, the Pro forma Financial Information describes a hypothetical situation and has been prepared for illustrative purposes only and does not purport to represent the Company's actual financial position or results, nor are they necessarily indicative of future consolidated operational results.

In addition, the statements are based on available information and various assumptions that management believes to be reasonable. The actual results may differ from those reflected in the Pro forma Financial Information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the Pro forma Financial Information and actual amounts.

The Pro forma Financial Information only consists of the pro forma consolidated statement of comprehensive income for the twelve-month period ended 31 December 2014, 31 December 2015 and 31 December 2016 and for the six months period ended 30 June 2017, respectively, and selected notes.

Summary of Pro forma consolidated statement of comprehensive income for the years ended 31 December 2014, 2015 and 2016 and for six months ended 30 June 2017

	Year ended 31 December			**Six months ended 30 June**
	2014	**2015**	**2016**	**2017**
	Unaudited			
Restaurant sales	**324,912**	**405,830**	**514,475**	**287,833**
Restaurant expenses	**267,699**	**325,134**	**422,204**	**237,034**
Food and material expenses	115,286	142,859	183,409	100,472
Payroll and employee benefits	52,401	65,135	91,960	55,195
Rent	26,447	29,020	35,525	20,898
Royalties	19,103	23,830	30,356	16,807

Advertising	16,777	20,960	26,521	14,220
Other operating expenses, net	26,864	32,904	41,972	22,782
Depreciation and amortization	10,821	10,426	12,461	6,660
Restaurant operating profit	**57,213**	**80,696**	**92,271**	**50,799**
General and administration expenses, net	21,419	23,912	31,988	20,204
Operating profit	**35,794**	**56,784**	**60,283**	**30,595**
Finance costs	1,287	1,013	929	638
Finance income	247	417	113	115
Profit before tax	**34,754**	**56,188**	**59,467**	**30,072**
Income tax expense	5,195	8,421	6,144	1,742
Profit for the period from continuing operations	**29,559**	**47,767**	**53,323**	**28,330**
Discontinued operations	(620)	(476)		
Loss after tax from discontinued operations			(1,683)	
Profit for the period	**28,930**	**47,291**	**51,640**	**28,330**
Attributable to:				
Equity holders of Sphera	28,790	47,134	51,600	28,218
Non-controlling interests	149	157	40	112
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Exchange differences on translation of foreign operations	(10)	(92)	83	(30)
Total comprehensive income for the period, net of tax	**28,929**	**47,199**	**51,723**	**28,300**
Attributable to:				
Equity holders of Sphera	28,782	47,050	51,681	28,188
Non-controlling interests	147	149	42	112
EBITDA				
Operating profit from continuing operations	**35,794**	**56,784**	**60,283**	**30,595**
Adjustments to bridge operating profit to EBITDA:				
Depreciation and amortization included in restaurant expenses	10,821	10,426	12,461	6,660
Depreciation and amortization included in general and administration expenses	658	655	758	1,179
EBITDA from continuing operations	**47,273**	**67,865**	**73,502**	**38,434**

Source: Sphera Franchise Group S.A. Pro Forma Consolidated Financial Information for the periods from 1 January 2014 to 31 December 2014, 1 January 2015 to 31 December 2015, 1 January 2016 to 31 December 2016 and 1 January 2017 to 30 June 2017, unaudited

B.9	*Where a profit forecast or estimate is made, state the figure.*	Not applicable. The Prospectus does not include a profit forecast or estimate by the Company.
B.10	*A description of the nature of any qualifications in the audit report on the historical financial information.*	Not applicable. Ernst & Young Assurance Services S.R.L., independent auditors, has audited the USFN (Romania) Annual Financial Statements and the ARS (Romania) Financial Statements and issued unqualified audit reports on those financial statements as stated in their reports appearing therein. Ernst & Young Assurance Services S.R.L., independent auditors reviewed, but did not audit, ARS (Romania) Interim Financial Statements and Sphera Interim Financial Statements and issued unqualified review reports on those financial statements as stated in their reports appearing therein.
B.11	*If the issuer's working capital is not sufficient for the issuer's present requirements, an*	Not applicable. The management of the Company is of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this Prospectus.

	explanation should be included.	
Section C—Securities		
C.1	*A description of the type and the class of the securities being offered and/or admitted to trading, including any security identification number.*	The Offering consists in an offering of an aggregate number of up to 9,831,753 nominative, ordinary shares in the Company, offered as follows: (1) up to 8,667,773 ordinary shares in the Company by Lunic (Cyprus); and (2) up to 1,163,980 ordinary shares in the Company by MBL (Romania). In case of successful closing of the Offering, application will be made for the admission of the Shares to trading on the spot regulated market operated by the BSE. The security identification numbers of the Shares are: ISIN: ROSFGPACNOR4; CFI: ESVUFR; LEI: 315700GSVZ0HSS7J1457; BSE market symbol: SFG.
C.2	*Currency of the securities issue.*	The currency of the Shares is RON.
C.3	*The number of shares issued and fully paid and issued but not fully paid. The par value per share, or that the shares have no par value.*	As at the date of the Prospectus, the issued, subscribed and paid-up share capital of the Company is divided into 38,799,340 nominative, ordinary, book entry form shares, each of which is issued, fully paid with a par value of RON 15 and carrying one vote in the Company's general shareholders meetings.
C.4	*A description of the rights attached to the securities.*	Each Offered Share is an ordinary share of par value RON 15 carrying similar rights. All shareholders are to be treated equally to other shareholders that own the same type of Shares, with the material rights set forth below: • the pre-emptive right of the shareholders to subscribe for any issue of new shares on a pro rata basis, unless such pre-emptive right is limited by the general shareholders meeting in accordance with the law and the articles of association; • the right to vote and participate in the general meetings of the shareholders; • the right to receive dividends, if declared; • the right to information (e.g. to be informed about the activity of the Company in line with and subject to the applicable law, to obtain any information regarding the exercise of voting rights and information regarding the voting results in the general shareholders meetings); • the right to add new items on the agenda of the meeting or propose draft resolution, in case of shareholders holding severally or jointly at least 5% of the share capital; • the right to withdraw from the Company and to request the Company to acquire their shares, in case the shareholders did not vote in favour of a certain decision in the general meeting of shareholders; • the rights to proceeds derived from the liquidation of the Company, when applicable; • the right to challenge the decisions of the general meeting of shareholders; and • other rights provided under the Company's articles of association, by-laws and applicable law.
C.5	*A description of any restrictions on the free transferabilit*	Starting with the first trading date on the BSE, the Shares will be freely transferable subject to the rules of the regulated spot market operated by the BSE, and clearing and settlement rules of Depozitarul Central S.A. (the "**Romanian CSD**").

	y of the securities.	
C.6	*An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and the identity of all the regulated markets where the securities are or are to be traded.*	After the Offering is successfully closed in accordance with the provisions of the Prospectus and the transactions in the Offered Shares are settled, the Company intends to apply for the admission of the shares issued by the Company to trading on the spot regulated market operated by the BSE.
C.7	*A description of dividend policy.*	The Company's ability to pay dividends is based, among other things, on the Company's future profits, including the distributable profits obtained by the Company's consolidated subsidiaries, as recorded in the Company's financial statements. Dividends (if any) may only be declared and paid from the current year's statutory profit and accumulated profit from previous years, as recorded in the Company's annual financial statements as approved by the ordinary general shareholders meeting ("**OGSM**") on the basis of the report presented by the Company's board of directors ("**BoD**"). In determining the amount available for distribution as dividends, the current year's statutory profit and accumulated profit from previous years will be adjusted to account for the creation of the required statutory reserves. In absence of exceptional market conditions or circumstances, for future years the BoD intends to recommend to the OGSM that the Company distributes 100% of its distributable profits each year, subject to any restrictions due to Romanian legal and taxation regulation. Furthermore, the BoD may from time to time propose to the shareholders cash distributions by way of restitution of capital to the shareholders, if it finds that such distribution is appropriate and sustainable in the context of the Group's growth strategy and provided that such distribution may be carried out in compliance with the applicable law.
Section D—Risks		
D.1	*Key information on the key risks that are specific to the issuer or its industry.*	**Risks Relating to the Group's Business and Industry** • Our rights to operate KFC, Pizza Hut and Taco Bell branded units are dependent on the Franchise Agreements concluded with Yum! • Our business depends on our relationship with Yum! and on our ability to comply with Yum! requirements • We may not be able to comply with the minimum roll-out of restaurants imposed by Yum! • Failure by Yum! to protect its intellectual property rights, including its brands, could harm our results of operations • We operate in a highly competitive market, and competition is expected to increase in the coming years • We are dependent on our suppliers and the supply chain may be materially disrupted • Increases in commodity prices or other operating costs could decrease our operating profit margins • Product liability claims or poultry related health pandemics could have a negative impact on consumers' confidence in the safety and quality of our products • We may be unable to attract or retain sufficient qualified personnel, including due to increased labour costs • We are dependent on our management and key personnel • We may not be able to implement our expansion strategy • We have recently entered the Italian market by opening KFC restaurants in cities where the KFC brand is novel

		• We have launched and are further planning to develop Taco Bell brand in the Romanian market • Failure to secure sub-franchisees may have an impact on the Pizza Hut Delivery business • We operate in a sector where a number of approvals, licences and permits need to be in place for each restaurant • Our operational authorisations and permits may be deficient • Fire safety permits are required for all our restaurants • Operating and leasing a broad portfolio of locations exposes us to potential losses and liabilities • Covenants and events of default in the agreements governing our outstanding indebtedness could limit our ability to undertake certain types of transactions and adversely affect our liquidity • We are exposed to fluctuations in foreign exchange rates • We are exposed to fluctuations of the interest rate • We may be exposed to claims or disputes in the ordinary course of business • A potential failure to protect the integrity and security of personal information of our customers and employees could result in substantial costs, expose us to litigation and damage our reputation • We may not be able to ensure the traceability of the recovered/recycled package waste • A number of insurance policies need to be in place to cover for a wide range of potential liabilities • A strike or other labour disruption may have a material adverse effect on our business • Poor maintenance of the road network in Romania may adversely affect our Pizza Hut Delivery business • Our information systems and the implementation of an Enterprise Resource Planning (ERP), may fail or be damaged, which could harm our operations and our business • Any changes to the current food law regime in Romania and in other countries in which we operate may require engagement of significant costs to ensure compliance • Any tax increase or change in tax legislation may adversely affect our operational results • We may not be able to always comply with the transfer pricing rules • Deductibility of expenses and VAT may be limited • We may have to implement IFRS 16 (*Leases*) starting on or after 1 January 2019 • Our management team and the BoD members have limited experience in managing and governing a public company, and regulatory compliance may divert our attention from the administration of our business • Our restaurants and the equipment in our restaurants may get damaged or destroyed as a result of events or factors that are beyond our control • We are exposed directly or indirectly to reputational risk **Country-Specific and Regional Risks** • Investor confidence in emerging economies, including Romania, may further decline due to uncertainty regarding the global macroeconomic environment • Recent political and social unrest risks weakening market confidence • Deterioration in fiscal policies threatens growth in Romania • Financing opportunities from internal and external sources are under-exploited which hinders growth • The Romanian national currency may register high levels of volatility • Deficient and poor-quality infrastructure in Romania limits investments • EU may apply sanctions if Romania fails to meet its post-accession obligations • Law making processes often skip public consultation or impact study stages and adopted legislation is not applied consistently by public authorities and courts and frequently lacks transitional norms, which endangers competitiveness • The European Commission has initiated infringement proceedings against Romania in a number of areas, including waste management • Corruption could create a difficult business climate
D.3	*Key information*	**Risks relating to the Shares** • The Offering may not result in an active or liquid trading market and investors may be unable to

	on the key risks that are specific to the securities.	resell their Shares at or above the Final Offer Price • The current shareholders of the Company will continue to have significant influence over the Company after the Offering, and their interests may not be aligned with those of the other shareholders of the Company • The Shares may not be admitted to trading on the BSE or may be de-listed from the BSE • As a holding company, the Company's operating results, financial condition and ability to pay dividends or other distributions are mainly dependent on dividends and other distributions received from its subsidiaries • Exchange rate variations may have an adverse impact on the value of non-Romanian holders of Shares • The price of the Shares may generally fluctuate • Future sales of substantial amounts of our ordinary shares, or the perception that such sales could occur, could adversely affect the market value of the Shares • Due to a gap of five days between the pricing and the prospective first date of trading in the shares, the initial trading price may be lower than the Final Offer Price • Financing subscriptions in Offered Shares may create a misleading appearance with respect to interest in the Offering • There is no central counterparty for the spot market in Romania
Section E—Offer		
E.1	*The total net proceeds and an estimate of the total expenses of the issue/offer, including estimated expenses charged to the investor by the issuer or the offeror.*	The Company will not receive any proceeds from the Offering. The total estimated net proceeds obtained by the Selling Shareholders from the sale of the Offered Shares in the Offering, after deduction of all fees, and charges incurred with the Offering, will be of approximately RON 311,014,220 (assuming that all Offered Shares will be sold at the maximum price of the Price Range and no proceeds will be used for stabilisation activities).The total estimated fees, and charges payable by the Selling Shareholders in connection with the Offering are expected to be in the range of RON 13,433,629 (assuming that all Offered Shares will be sold at the maximum price of the Price Range). The total fees and charges payable by the Company in connection with the Offering are expected to be in the range of RON 424,769. No commissions, fees or expenses in connection with the Offering will be charged to investors by the Company or by any Selling Shareholder. However, the investors shall be charged costs (if any) associated with opening and maintaining a securities account (unless such investor already has an account) and any brokerage commissions payable by the institutional investors under any relevant agreements or pursuant to the regulations of the entity accepting such purchase orders.
E.2a	*Reasons for the offer, use of proceeds, estimated net amount of the proceeds.*	The Offering is being conducted in order to allow the Selling Shareholders to dispose of a portion of their shareholdings, while raising Sphera's profile with the international investment community and establishing a market for the Shares, which may benefit Sphera if it desires to access the equity markets in the future. The total estimated net proceeds obtained by the Selling Shareholders from the sale of the Offered Shares in the Offering, after deduction of all fees, and charges incurred with the Offering, will be of approximately RON 311,014,220 (assuming that all Offered Shares will be sold at the maximum price of the price range and no proceeds will be used for stabilisation activities).
E.3	*A description of the terms and conditions of the offer.*	The Offer Shares will be offered at the Offer Price Range that is RON 25 to RON 33(the "**Offer Price Range**") and will be sold at the final offer price determined in RON (the "**Final Offer Price**"). Subscriptions for Offered Shares can be made from 24 October 2017 to 2 November 2017 inclusively, namely 8 (eight) Business Days (the "**Offer Period**"), unless extended or otherwise changed. The price of the Offered shares is denominated in RON. The Offering is split into two tranches (the "**Offer Tranches**") as follows: • 15% of the Offered Shares (1,474,763 Offered Shares) will be initially offered to Retail Investors (the "**Retail Tranche**"); and • the remaining Offered Shares (8,356,990 Offered Shares) will be offered to Institutional Investors (the "**Institutional Tranche**"). Retail Investors must subscribe for Offered Shares at the fixed price of RON 33 (*i.e.* the top of the Offer Price Range).

		Institutional Investors may validly subscribe for Offered Shares at any price within the Offer Price Range (including the bottom and the top of the price range). The price tick for the subscription of Offered Shares by Institutional Investors is RON **0.1**. In case of oversubscription in the Retail Tranche, the allocation shall be done pro-rata. The Selling Shareholders will determine, in close consultation with Wood & Company Financial Services a.s., and Raiffeisen Bank S.A., as Joint Bookrunners, the number of Offered Shares allocated to each Institutional Investor, based on certain qualitative criteria. The allocation factor for the Retail Tranche, together with the final number of allocated Offered Shares, will be publicly announced on the last day of the Offer Period (the "**Allocation Date**"). The Final Offer Price for Retail Investors is equal to the Final Offer Price for Institutional Investors. The Final Offer Price will be determined based on the expressions of interest made by the Institutional Investors during the bookbuilding process. The Final Offer Price will be publicly announced no later than one Business Day following the Allocation Date. The transaction related to the Offered Shares will take place on the transaction date and the transfer of the Offered Shares will be settled through the Romanian CSD's system within two business days from the transaction date.
E.4	*A description of any interest that is material to the issue/offer including conflicting interests.*	The Managers and their respective affiliates may have engaged in transactions with, and performed various investment banking, commercial banking, financial advisory and other services for, the Company and the Selling Shareholders and their respective affiliates, for which they received customary fees. The Managers and their respective affiliates may provide such services for the Company and the Selling Shareholders and their respective affiliates in the future. In connection with the Offering, each of the Managers and any affiliate, acting as an investor for its own account may take up the Offered Shares and in that capacity may retain, purchase or sell for its own account such Offered Shares and any related investments and may offer or sell such Offered Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to the Offered Shares being offered or placed should be read as including any offering or placement of Offered Shares to the Managers and any affiliate acting in such capacity. None of the Managers intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, in connection with the Offering, certain of the Managers may enter into financing arrangements with investors, such as share swap arrangements or lending arrangements where securities are used as collateral, which could result in such Managers acquiring shareholdings in the Company.
E.5	*Name of the person or entity offering to sell the security. Lock-up agreements: the parties involved; and indication of the period of the lock up.*	The Selling Shareholders are: • Lunic Franchising and Consulting Ltd, a company organized and existing under the laws of Cyprus, registered under no. HE 80898, with registered office at Riga Feraiou nr. 2, Limassol Center, Block B, 4th floor, office 406, 3095 Limassol, Cyprus; and • M.B.L. Computers S.R.L., a company organized and existing under the laws of Romania, registered with the Bucharest Trade Registry under No. J40/6119/1991, having its registered office at 15 Fabrica de Glucoză street, Bucharest, Romania. Lunic (Cyprus) offers a number of up to 8,667,773 Shares in the Offering, while MBL (Romania) offers a number of up to 1,163,980 Shares in the Offering (together the "**Offered Shares**"). The Company will agree with Wood & Company Financial Services a.s., Raiffeisen Bank S.A. and Alpha Finance Romania S.A. (hereinafter together as, the "**Managers**") in the Placement Agreement to be executed on or about the date of the Prospectus that it will not, and each of the Company's members of the Board of Directors, will ensure that the Company will not, without the prior written consent of the Sole Global Co-ordinator (on behalf of and after consultation with the Managers), not to be unreasonably withheld, for a period of 180 days from the admission of Shares to trading on the BSE or (if admission does not become effective on that date) at such other date (being the date on which admission does become effective) as the Company and the Joint Bookrunners may agree in writing, directly or indirectly: (a) issue, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any interest in Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or any interest in Shares or file any registration statement under the Issuers and Markets Operations Law or file or publish any prospectus with respect to any of the foregoing; or (b) enter into any swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such swap or transaction described in (a) or (b) is to be settled by delivery of the Shares or such other securities, in

		cash or otherwise. The lock up restrictions do not apply to any purchase by the Company of Shares and subsequently to the allocation/transfer of the Shares so acquired to its BoD members and/or its managers, in each case under any share incentive plan the Company may decide to implement. Also, the current shareholders of the Company will agree with the Managers, acting severally and not jointly, that none of them, nor any person acting on their behalf will, without the prior written consent of the Sole Global Co-ordinator (on behalf of and after consultation with the Managers), not to be unreasonably withheld, for a period of 180 days from the admission of the Shares to trading on the BSE or (if admission does not become effective on that date) at such other time and/or date (being the date on which admission does become effective) as the Company and the Joint Bookrunners may agree in writing, directly or indirectly: (a) offer, sell, lend, assign, mortgage, pledge, charge, contract to sell or otherwise transfer or dispose of (or publicly announce any such action), directly or indirectly, any Shares, other equity securities of the Company or any securities convertible or exchangeable into or exercisable for any equity securities of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary receipts representing the right to receive any such securities; or (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any equity securities of the Company or enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to enter into any transaction described above, whether any such transaction described in (a) or (b) is to be settled by delivery of Shares or such other securities, in cash or otherwise. For the avoidance of doubt, the above restrictions do not apply to the Shares acquired during the stabilisation period, for stabilisation purposes.
E.6	*The amount and percentage of immediate dilution resulting from the offer. In case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.*	Not applicable. There will be no dilution resulting from the Offering.
E.7	*Estimated expenses charged to the investor by the issuer or the offeror.*	No commissions, fees or expenses in connection with the Offering will be charged to investors by the Company or by any Selling Shareholder, except for the costs (if any) associated with opening and maintaining a securities account (unless such investor already has an account) and any brokerage commissions payable by the institutional investors under any relevant agreements or pursuant to the regulations of the entity accepting such purchase orders, which may not be estimated at the date of this Prospectus.

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This document comprises a prospectus relating to the Company, the Selling Shareholders and the Shares for the purposes of the Prospectus Directive, as implemented and applicable in Romania.

The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful.

The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or jurisdiction of the United States and may not be offered or sold into or within the United States. For a discussion of these and certain further restrictions on offers, sales and transfers of the Shares and the distribution of this Prospectus, see "*Selling and Transfer Restrictions*" below.

The Offering may be extended at any time without cause, subject to approval by the FSA and publication of a supplement to this Prospectus, in accordance with applicable law.

The Company and each Selling Shareholder accept responsibility for the information contained in this Prospectus. To the best of the Company's and of each Selling Shareholder's knowledge, in each case having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Investors must also acknowledge that: (i) they have not relied on the Managers or any person affiliated with the Managers in connection with any investigation of the accuracy of any information contained in this Prospectus; and (ii) they have relied only on the information contained in this Prospectus. No person is authorised to give any information or to make any representation in connection with the Offering or sale of the Offered Shares, other than as contained in this Prospectus. If given or made, such information or representation must not be relied upon as having been authorised by the Company, any Selling Shareholder or any of the Managers, the Financial Advisor or their respective affiliates. If anyone provides any investor with different or inconsistent information, such investor should not rely on it. Furthermore, the Company did not and does not consent to the use of the Prospectus for subsequent resale or final placement of the Shares by financial intermediaries or by any other third party.

In particular, the Company warns investors that the Company, the Selling Shareholders, the Managers and the Financial Adviser make no representation as to the accuracy, completeness or reliability of the information published by media about the Group. To the extent such information is inconsistent with the information included in the Prospectus, each of the Company, the Selling Shareholders, the Managers and the Financial Adviser disclaims any responsibility with respect to such information. The Company cautions investors to take their investment decision exclusively based on the information included in this Prospectus and any supplement thereto, if published.

This Prospectus is being provided by the Company and by the Selling Shareholders for the purpose of enabling prospective investors to consider subscribing for and purchasing the Offered Shares. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Company, any Selling Shareholder, any Manager or the Financial Adviser that any recipient of this Prospectus should subscribe for or purchase any Offered Shares. No representation or warranty, express or implied, is made by any Manager, by the Financial Adviser or by any of their respective affiliates or advisers as to the accuracy or completeness or verification of any information contained in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any Manager or by the Financial Adviser as to the past or the future. Any reproduction or distribution of this Prospectus, in whole or in part, any disclosure of its contents, except where its contents are otherwise publicly available, and any use of any information herein for any purpose other than considering an investment in the Offered Shares, is prohibited.

The information in this Prospectus is as of the date printed on the front cover, unless expressly stated otherwise. Without prejudice to any obligation of the Company to publish a supplement to the Prospectus pursuant to the Issuers and Markets Operations Law and Regulation no. 1/2006 on issuers and operations with securities issued by the Romanian National Securities Commission (currently the FSA), neither the delivery of this Prospectus nor any purchase made in connection therewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since, or that information contained herein is correct as at, any time subsequent to the date of this Prospectus. Each prospective investor, by accepting delivery of this Prospectus, agrees to the foregoing.

Prospective investors should not consider any information in this Prospectus to be investment, legal or tax advice. In making an investment decision, investors should determine for themselves the relevance of the information contained in this Prospectus and must rely on their own assessment, examination, analysis and enquiry of the Company, the terms of the Offering and the contents of this Prospectus, including the merits and risks involved. Each prospective investor should consult its own legal counsel, financial adviser, accountant and other advisers for legal, tax, business, financial and related advice regarding subscription for or purchase of any Offered Shares. Each prospective investor should also make its own determination of the suitability of any investment in the Offered Shares, with particular reference to its own investment objectives and experience and any other factors that may be relevant to the investor. Neither the Company, nor any Selling Shareholder, any Manager or the Financial Adviser makes any representation to any offeree or purchaser of or subscriber for any Offered Shares regarding the legality of an investment in the Offered Shares by such offeree or purchaser or subscriber under appropriate investment or similar laws. The price of the Shares as well as the income and dividends, if any, from them can go down as well as up.

In connection with the Offering, the Managers, the Financial Adviser and their respective affiliates acting as an investor for its or their own account(s) may subscribe for or purchase Offered Shares and, in that capacity, may retain, subscribe for, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the Shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Managers, or the Financial Adviser or any of their respective affiliates acting as an investor for its or their own account(s). Neither the Managers nor the Financial Adviser intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Selling Shareholders and the Managers reserve the right, following the allocation procedure, to reject any offer to subscribe for or purchase any Offered Shares, in whole or in part, and to sell to any prospective investor less than the full amount of the Offered Shares sought by such investor, in any case in compliance with the terms and conditions set out in this Prospectus.

Except as expressly set forth herein, information on the Company's or a Selling Shareholder's website, any website mentioned in this Prospectus or any website directly or indirectly linked to the Company's or a Selling Shareholder's website is not incorporated by reference into this Prospectus and any decision to subscribe for or purchase any Offered Shares should not be made in reliance on such information.

The distribution of this Prospectus and the offer and sale of any Offered Shares may be restricted by law in certain jurisdictions. You must inform yourself about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. None of the Company, the Selling Shareholders or the Managers accepts any legal responsibility for any violation by any person, whether or not a prospective purchaser of Shares, of any such restrictions. No action has been nor will be taken by the Company, any Selling Shareholder, the Managers, or the Financial Adviser that would permit, otherwise than in Romania pursuant to the Offering, an offer of any Offered Shares, or possession or distribution of this Prospectus or any other offering material or an application for admission of Shares to trading, in any jurisdiction where action for that purpose is required, other than in Romania for admission of Shares to trading on the BSE. This Prospectus may not be used for, or in connection with, any offer to, or solicitation or an application for admission to trading by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation or application for admission to trading is not authorised or is unlawful. Further information with regard to restrictions on offers and sales of Shares is set forth below and under "*Subscription and Sale*" and "*Selling and Transfer Restrictions*".

The Managers are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offering, and will not be responsible to any other person to provide the protection afforded to their clients or advice in relation to the Offering.

The Financial Adviser is acting exclusively for the Company and no one else in connection with the Offering, and will not be responsible to any other person to provide the protection afforded to their clients or advice in relation to the Offering.

None of the Managers or the Financial Adviser accepts any responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by it or any of them or on its or their behalf in connection with the Company or the Shares. Each of the Managers and the Financial Adviser accordingly disclaims, to the fullest extent permitted by applicable law, all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

This Prospectus will be available on the website of Raiffeisen Bank S.A. at www.raiffeisen.ro and on the website of Alpha Finance Romania S.A. at www.alphafinance.ro and on the website of the BSE at www.bvb.ro. Pricing information and other related disclosures are expected to be published on these websites. Copies thereof will be provided upon request during normal business hours at the headquarters of Wood & Company a.s. (Bucharest branch) located at Metropolis Center, 89-97 Grigore Alexandrescu St., East Wing, 3rd Floor, 010624 Bucharest 1, Romania, at Raiffeisen Bank S.A. premises, located in By Tower Building, 246 D Calea Floreasca, Bucharest, Romania, and at the headquarters of Alpha Finance Romania S.A. located at 237B Calea Dorobanti, 2nd floor, Bucharest, Romania. The Prospectus will be available on the website of the Company at www.spheragroup.com.

The posting of the Prospectus on the internet does not constitute an offer to sell or a solicitation of an offer to buy any of the Shares to or from any person in any jurisdiction in which it is unlawful to make such offer or solicitation to such person. The electronic version may not be copied, made available or printed for distribution.

The Articles of Association are available on the Company's website at www.spheragroup.com.

NOTICE TO INVESTORS IN THE UNITED STATES

The Offered Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or jurisdiction in the United States for offer or sale as part of their distribution and may not be offered or sold in the United States. The Offered Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S. The Offered Shares, this Prospectus and any material related to the Offering will not and may not be distributed, offered or marketed in or into the United States. For a description of restrictions on offers, sales and transfers of the Offered Shares, and the distribution of the Prospectus, please see "*Selling and Transfer Restrictions*".

Neither the SEC nor any state securities commission or any non-US securities authority, except for the FSA, has approved or disapproved the Prospectus, or the distribution or the selling of the Offered Shares, or determined that this Prospectus is accurate or complete. Any representation to the contrary is a criminal offence.

NOTICE TO INVESTORS IN THE EEA

This Prospectus has been prepared on the basis that all offers of Offered Shares (other than in Romania) will be made pursuant to an exemption under Article 3.2 of the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers and admission to trading of shares. Accordingly, any person making or intending to make any offer of Shares or seeking admission of Shares to trading on a spot regulated market within the EEA should only do so in circumstances in which no obligation arises for the Company, any Selling Shareholder, the Managers, the Financial Adviser or any other person to produce a prospectus for such offer or application to trading.

None of the Company, the Selling Shareholders, the Managers or the Financial Adviser have authorised, nor do they authorise, the making of any offer of the Shares through any financial intermediary, other than offers made by the Managers, which constitute the final placement of the Offered Shares contemplated in this Prospectus nor have any of them authorised any application of admission of Shares to trading on a regulated markets other than the spot regulated market operated by the BSE.

Notwithstanding the foregoing, in relation to each member state of the EEA that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, the offer of any Offered Shares may be made in that Relevant Members State: (i) to entities which are Qualified Investors; (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive, if applicable, **provided that** no such offer of Offered Shares shall require the Company or any Selling Shareholder to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this notice to investors, the expression an "**offer of (Offered) Shares**" in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Shares to be offered so as to enable an investor to decide to subscribe for or purchase the

Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Each subscriber for or purchaser of Shares in the Offering located within a member state of the EEA (other than in Romania) will be deemed to have represented, acknowledged and agreed that it is a Qualified Investor. The Company, each Selling Shareholder, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment and agreement.

RISK FACTORS

An investment in Shares involves a high degree of risk. You should carefully consider the following information about these risks, together with the information contained elsewhere in this Prospectus, before deciding whether to invest in Shares. If any of the following risks materialises, individually or together, there could be a material adverse effect on our business, financial condition and results of operations, prospects, and the trading price of Shares, and you could lose all or part of your investment.

We have described the risks and uncertainties that we believe are material, but these risks and uncertainties may not be the only ones we face. Additional risks and uncertainties, including those of which we are currently not aware or which we deem immaterial, could have the effects set forth above. Prospective investors should be aware that the value of Shares and any income generated by Shares (if any) may increase or decrease and that investors may not be able to realize their initial investment.

Thus, potential investors should apply special care when assessing the risks involved and should decide, individually, if such an investment is appropriate considering these risks.

The order in which the following risk factors are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on the Group's business, financial condition, results of operations and prospects, or the market price of the Shares.

Risks Relating to Our Business and Industry

Our rights to operate KFC, Pizza Hut and Taco Bell branded units are dependent on the Franchise Agreements concluded with Yum!

The Group's ability to conduct business is dependent on its rights to operate KFC, Pizza Hut (Dine In restaurants and Delivery units) and Taco Bell - branded restaurants in Romania, Republic of Moldova and Italy, which are granted by Yum! on a non-exclusive basis and based on International Franchise Agreements ("**Franchise Agreements**") entered into for each of the Group's restaurants. We run the risk that Yum! may grant franchise rights to other restaurant operators, allowing such operators to open restaurants in areas where the Group is active. This may create additional competition for the Group and may potentially lead to the oversaturation of the market for the brands that are currently operated by the Group or to the overcrowding of restaurant locations in a specific area. All these potential actions by Yum! arise from the fact that our franchise rights are granted on a non-exclusive basis and may lead to a decrease of customer inflow to restaurants operated by us, and/or may put pressure on the pricing of the products offered in our restaurants, which may have an impact on our sales. However, the development agreements entered into with Yum! for KFC brand grants us, subject to compliance with certain conditions, a territorial protection in Romania and in the Republic of Moldova during the incentive term (i.e. 2017 - 2021) and a right of first refusal in Italy.

Furthermore, the Franchise Agreements provide generally for an initial franchise term of 10 years with the possibility of extension for an additional term of 10 years, subject to the franchisee and the guarantors under the Franchise Agreement complying with a series of conditions. For more details on the franchise agreements conditions and description of guarantors thereunder, please see "*Business - Our contractual relationship with Yum!*". As a result, the Group's ability to continue operating in its current capacity is fully dependent on the continuity of its contractual relationship with Yum!. The Group members may not be able to satisfy the renewal criteria, in which case Yum! may refuse the application for renewal after the expiry of the initial franchise term. In case this occurs and the restaurant for which the renewal is sought is a profitable one, the Group may not be able to secure another Franchise Agreement with Yum! for that restaurant or may be forced to negotiate terms significantly more cumbersome to the Group than those which would have applied if the renewal would have been granted. There is no assurance that the Group will be able to satisfy all renewal criteria and secure the franchise for an additional franchise term.

In any case where a Franchise Agreement expires and is not renewed, the Group would be required to cease operating the restaurant, cease identifying its business with Yum!'s and cease using any of Yum!'s intellectual property with respect to that restaurant. The Group will also incur costs to de-identify the restaurant from any marks affiliating the restaurant to Yum! brands, in accordance with Yum!'s instructions. Furthermore, the Franchise Agreement prohibits the franchisee from engaging directly or indirectly in certain competitive businesses, including preparation, marketing or sale of products similar to the food products offered in the respective restaurant, during a 12-month period following termination of the Franchise Agreement. Yum! may also terminate the Franchise Agreements for cause. For a detailed description of the events of default under the Franchise Agreement that entitle Yum! to terminate the Franchise Agreements, please see chapter "*Business – Our relationship with Yum!* " of this Prospectus.

Refusal by Yum! to renew terms or termination by Yum! for cause of some or all the Franchise Agreements of the Group's restaurants may have a material adverse effect on our business, results of operations and financial condition.

Our business depends on our relationship with Yum! and on our ability to comply with Yum! requirements

The Group's revenues are dependent on a mutually beneficial contractual relationship with Yum!. Based on the Franchise Agreements, Yum! has the ability to exercise substantial influence over the conduct of the Group's business. For example, the Group must comply at all times with Yum! quality standards, and can only prepare, market or sell products approved by Yum!. The Group may only engage suppliers and distributors pre-approved by Yum!. The Group also needs prior approval from Yum! before undertaking any corporate restructuring and may not charge, pledge or encumber or create security interest or lien over any interest in, or right under, the Franchise Agreements or in the business or in any assets of the business. The Group's advertising efforts are also linked to Yum!'s instructions and standards. There is no assurance that the Group will be able to maintain a well-functioning relationship with Yum! and also that at all times will comply with the commitments that Yum! imposes. Failure to comply with these commitments could constitute a material breach of the Franchise Agreements and may lead to a termination by Yum! of the Franchise Agreements.

If the Group is unable to maintain a well-functioning relationship with Yum! and/or satisfy the commitments set by Yum!, this would lead to a breach of those agreements and could result in a material adverse impact on our business, results of operations and financial condition.

We may not be able to comply with the minimum roll-out of restaurants imposed by Yum!

We have committed to Yum! to open a minimum number of restaurants for the KFC, Pizza Hut and Taco Bell brands in Romania and Italy, under a number of development agreements and other commitments. For more details on the development commitments towards Yum!, please see "*Our relationship with Yum!*" and "*Strategy*" sections in the "*Business*" chapter. Under these commitments, we are required by Yum! to build a minimum target number of restaurants within a specific period of time. Some commitments also set out a minimum trigger number of restaurants that, in case we exceed, entitled us to certain incentives (e.g. waiver by Yum! of the initial royalty for the new restaurants built and, subject to compliance with certain conditions, waiver of the advertising fees for a period of time). The consequences of us failing to open the minimum committed number of restaurants vary, depending on the arrangement entered with Yum! governing a particular brand, ranging from forfeiture of the initial royalty for the restaurants that were committed but not opened in a particular year, to payment of a monthly assumed continuing royalty with respect to each failed build and may, in certain cases, lead to Yum! being entitled to terminate the Franchise Agreements (e.g. in case of Pizza Hut Master Franchise Agreement).

Failure by us to comply with the minimum number of restaurants required under our development commitments towards Yum! could result in Yum! charging us additional royalties and may even entitle Yum! to terminate certain of our Franchise Agreements, which may have a material adverse effect on our business, results of operations and financial condition.

Failure by Yum! to protect its intellectual property rights, including its brands, could harm our results of operations

Yum! is the owner of the trademarks the Group uses for its franchise business. The success of the Group's business strategy depends on its continued ability to use Yum!'s existing trademarks and service marks in order to increase brand awareness and further develop the products offered by the Group in the restaurants. If Yum!'s efforts to protect its intellectual property used by the Group are not adequate, or if any third party misappropriates or infringes Yum!'s intellectual property, the value of the brands used by the Group may be harmed. There can be no assurance that the measures undertaken by Yum! to protect its intellectual property, particularly in Romania, Italy and in the Republic of Moldova, will be adequate.

The Group maintains the recipes for its products, as well as certain standards, specifications and operating procedures, as trade secrets or confidential information under the Franchise Agreements entered into with Yum!. The Group may not be able to prevent the unauthorized disclosure or use of such trade secrets or information, despite the existence of confidentiality agreements and other implementing measures. If any of our trade secrets or proprietary information were to be disclosed to or independently developed by a competitor, Yum! may terminate the Franchise Agreements.

Furthermore, our business is dependent on the strength and reputation of KFC, Pizza Hut and Taco Bell brands at an international level and negative publicity in any region of the globe, even relating to another franchisee of KFC, Pizza Hut and Taco Bell brands than ourselves, may result in a decrease of our customers, which could have a material adverse effect on our business, results of operations and financial condition, and the recovery from such a reputation fall may be outside the control of our management.

All these factors related to Yum!'s potential failure to protect its intellectual property rights may have a material adverse effect on our business, results of operations and financial condition.

We operate in a highly competitive market, and competition is expected to increase in the coming years

The food service industry, and particularly its quick service and full service segments, are competitive. In addition, Bucharest, the primary market in which the Group operates, is the most competitive full service market in Romania. The Group expects competition in the food service industry, and across all of geographical markets that we operate in, to continue to increase at an accelerated pace. Such competition is primarily based on price, convenience, quality of service, brand recognition, restaurant location and type and quality of food. If the Group cannot compete successfully with other quick service and full service companies in new and existing markets, the Group could lose market share and its revenue and profitability could decline. The Group's restaurants compete with national and regional quick service and full service restaurant chains for customers, restaurant locations, qualified management and employees. Some of the Group's competitors may have more efficient expansion plans, may enjoy significantly greater financial strength, may have been in business longer, may have greater brand recognition or may be better established in the markets where the Group's restaurants are located or are planned to be located. New entrants may also move into the food service market and new models of activity and industry trends driven by online ordering platforms, such as food aggregators, could increase their penetration and market share. The Group's ability to compete efficiently will depend on the ability of its business to adapt quickly to market and industry trends. These competitive factors, and the failure of the Group to successfully address them, may have a material adverse effect on our business, results of operations and financial condition.

We are dependent on our suppliers and the supply chain may be materially disrupted

The industry in which the Group operates is generally heavily dependent on its suppliers for the timely and adequate procurement of food supplies and other materials. At the same time, supply delivery can be interrupted by a number of factors, including natural disaster, adverse weather, infrastructure issues, price increases or damage to a supplier location, and an industry-specific occurrence such as widespread poultry disease. The loss, even of a single dependable supplier can lead to a loss of income, and can affect the continuity, quality and consistency of the service provided by the Group.

For some core ingredients, such as poultry and poultry products, we rely on a limited number of Yum! pre-approved suppliers. In case one of the suppliers fails to supply the required ingredients, we would need to switch to other suppliers swiftly. Supplier switching carries significant costs, potentially higher prices, delivery and production delays, which may adversely affect the Group's business, results of operations and financial condition.

Some of the main ingredients required, such as mix of spices, are produced in, and sourced from, a small number of countries and suppliers. If these countries are struck by general adverse conditions, ranging from political to environmental, that would negatively impact the successful transportation and delivery of such products to the Group, the Group’s restaurants may face supply shortages and this would induce price increases in raw materials.

Furthermore, the Group depends on its suppliers to be able at all times to fully comply with the regulatory requirements set within their own industry. Although we specify performance standards with our suppliers and providers, we do not ultimately control their performance, which may make our operations vulnerable to their performance failures. Failure by the suppliers to comply with regulatory requirements at all times, resulting in any material breach that would render them unable to provide their products, would have an adverse effect on the Group’s supply function.

If the Group's suppliers fail to provide the Group with products in a timely manner due to unanticipated demand, regulatory, production or distribution problems or financial distress, or if the suppliers decide to terminate their relationship with the Group, or if Yum! determines that any product or service offered by an approved supplier is not in compliance with its standards, and the Group is required to terminate its relationship with such supplier, the Group may have difficulty identifying a replacement supplier due to the requirement that the Group is allowed to use only Yum! approved suppliers. As a result, the Group may face inventory shortages that may have a material adverse effect on our business, results of operations and financial condition.

Increases in commodity prices or other operating costs could decrease our operating profit margin

The Group relies on commodities such as beef, chicken, dairy products and spices mixes, beverages and toppings. The overall cost of food and supplies depends on several factors, including global supply and demand, new product offerings, weather conditions and fluctuations in energy costs, all of which are outside the Group's control and make the Group susceptible to fluctuations in the price of its supplies. The Group is also faced with other operating costs, including labour and energy costs, which are also outside its control. Due to the competitive nature of the restaurant industry, the Group may be unable or fail to compensate any increase of its commodities, food, supplies and generally operating costs by cost savings or product price increases. Such inability or failure may have a material adverse effect on our business, results of operations and financial condition.

Product liability claims or poultry related health pandemics could have a negative impact on consumers' confidence in the safety and quality of our products

The Group may from time to time be involved in product liability claims typical for the food industry, such as product alteration or injury following consumption.

Also, incidents of health pandemics, food-borne illnesses or food tampering could force the Group to close a number of restaurants for an undetermined period of time. Widespread illnesses such as avian influenza, the H1N1 influenza virus, e-coli, or hepatitis A generally affecting the population may cause customers to avoid certain products, resulting in lack of confidence from customers in the products offered by the Group, especially in poultry food. What is more, even if such poultry related health pandemics would not affect the products offered by the Group, but by other restaurants, still a direct impact can be produced over consumers, who might avoid poultry products irrespective of who is offering them. This would result in a decrease in the number of clients for the Group's restaurants.

Furthermore, the Group's reliance on third-party food suppliers and distributors increases the risk of food-borne illness incidents to all of the Group's restaurants that are served by the respective suppliers and distributors. Power outages and other issues beyond the Group's control can result in costly spoilage or contamination of food. Also, any media news or reports of inspection authorities released to the public identifying unsanitary preparation or preservation of food products in restaurants that are not related to the Group or that are not under the Group's control may change the perception of its customers about the quality of the products in restaurants in general. Adverse publicity may negatively impact our reputation, regardless of whether the allegations are valid.

As our core business is the operation of restaurants, the Group depends on consumer confidence in the quality and safety of food products offered in our restaurants. While the Group maintains high standards for the quality of food products and dedicates substantial resources to ensure that these standards are met, the spread of these illnesses is often beyond its control and the Group cannot assure that food-borne illnesses will not occur, as a result of consumption of its products. Product liability risks are currently not covered by product liability insurance.

In addition, the food service industry in general is subject to the threat of food tampering by suppliers, employees or customers, such as addition of foreign objects to the food that the Group sells. Instances of food tampering, even those occurring solely at competitor restaurants, in the markets where the Group operates, or even in other markets, even totally unrelated with the Group's market geographies, could cause negative publicity to the restaurant industry in general, and to the Group in particular.

All of the above could (with immediate effect) result in significantly reduced demand for our food, reduced guest traffic, severe declines in restaurant sales and financial losses as well as significant reputational damages and legal claims of aggrieved guests, even if we were ultimately deemed not to be responsible for the issue or our liability was limited. A decrease in customer confidence in the Group's products as a result of real or perceived public health concerns or negative publicity may have a material adverse effect on our business, results of operations and financial condition.

We may be unable to attract or retain sufficient qualified personnel, including due to increased labour costs

The Group's ability to recruit, train and retain an appropriate number of qualified personnel capable of delivering satisfactory services is key to the Group's success.

The Group may face problems attracting new personnel, as a significant proportion of the Romanian workforce works abroad, leading to shortages in the local labour market. Even if the Group is able to recruit new personnel, it may be unable to retain them after having invested in their training and qualification. Notably, among the criteria that allow the Group to renew the Franchise Agreements is the ability of the Group to maintain and use the training programmes in all the restaurants, and to have the restaurants managers and the area managers trained and certified under Yum!'s management training programmes. However, after receiving training under the Group training programmes, the employees may opt to leave the Group and seek employment at one of the Group's competitors or at another food service provider. In addition, we may be unable to prevent the disclosure or use of our technical knowledge, practices or procedures by departed personnel.

The perennial staff shortage issue of the Romanian food sector and other factors progressively increase the pressure on the wages that the Group must pay. In the last seven years, the gross minimum wage has more than doubled from RON 600 to RON 1,450. Further increases are expected in the upcoming years. If these increases of costs cannot be offset by increases in product prices or productivity gains, it would lead to a decrease in the Group's operating profit margins. In addition, failure by the Group to successfully attract and retain personnel at an acceptable cost level could raise difficulties for the Group to operate efficiently or reach its growth and profitability targets, which ultimately may have a material adverse effect on our business, results of operations and financial condition.

We are dependent on our management and key personnel

Our future success depends to a significant extent upon the leadership and performance of the members of our senior management, as well as of certain other key employees, particularly sufficiently qualified general managers and deputy managers for our restaurants, but also restaurant personnel and on our continued ability to be able to attract and retain skilled and qualified executives and key personnel. We strengthened our senior management by hiring professionals with extensive international experience in the food service sector in general, and in working with Yum! in particular, as well as others with finance, capital markets and marketing background. If we lose the services of any of our executive management members or key employees, we might not be able to find suitable individuals to replace such personnel on a timely basis or without incurring increased costs, or at all. Furthermore, as the Group expands and grows the business, we will face increasing personnel staffing requirements. Failure to hire and retain qualified general managers and deputy managers for our restaurants could lead to operational deficiencies and ultimately to decreased guest satisfaction and traffic, (e.g. due to longer waiting periods or poor service). The current high level of competition for personnel and specialists in Romania, may hinder our efforts to hire and retain qualified personnel, lead to higher than planned attrition or lead to increased personnel costs. This increases the risk that we may not be able to recruit the necessary personnel and fill vacant positions adequately and on a timely basis.

Furthermore, we may fail to maintain competitive compensation packages, including equity incentives.

Failure to retain executive management members or key employees or to attract such personnel in existing could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to implement our expansion strategy

Although the Group has been able to deliver high growth rates in recent years, we may fail or be unable to open new KFC, Pizza Hut and Taco Bell restaurants or refurbish existing ones in accordance with our future capital expenditure programme.

Our long-term success is dependent on the ability to identify and secure appropriate sites successfully, and develop and expand our operations in new and existing markets. In the foreseeable future, one of the key means of achieving further growth will be opening and operating new restaurants on a profitable basis. As the identification of new target markets and specific restaurant locations depend on a number of uncertain factors such as, in case of sites, traffic patterns and commercial, residential and infrastructure development, we cannot assure that we will always be able to identify the most attractive locations and correctly analyse the suitability and quality of new locations (due to e.g., time pressure, lack of diligence, improper supervision by the management, inappropriate decision criteria or missing or false data).

Furthermore, we may not be able to open our planned new restaurants within budget, on a timely basis or at all, in particular due to the following factors:

- unavailability of attractive locations for new restaurants or availability only at commercially unreasonable terms;
- unavailability of locations for our restaurants in new markets due to lack of interested or appropriate counter parties, trust or network;
- competition for appropriate restaurant locations;
- failure to obtain construction permits for us or for third parties;
- failure to get Yum! approval to open a new restaurant;
- failure of brownfield projects in shopping centres or other restaurant locations to be launched, developed or operated as successfully as planned;
- failure to negotiate leases with acceptable terms;
- failure of the landlords to deliver real estate to us on a timely basis; and
- failure to recruit and train qualified personnel in the local job market.

As the choice of new locations for our restaurants might prove to be economically disadvantageous, we might fail to achieve the benefits expected from the expansion of our business and the opening of new restaurants. In addition, each time one of our long-term leases expires, we may incur significant costs in negotiating an extension or finding a viable alternative.

Moreover, current restaurant locations may become unprofitable, and attractive new locations may not be easily available for a reasonable price, if at all. Additionally, the closing or reallocation of traffic generators can also render an existing location uneconomical.

Any failure to identify and secure appropriate restaurant sites may materially harm the Group's ability to increase its revenue and profitability.

In addition, our brands are present in a number of cities across different geographies and in many of those cities we operates more than one restaurant. As the Group's development plans unfold, more restaurants may be opened in those cities and this could have a cannibalization effect on the performance of existing restaurants, meaning that new restaurants may "eat up" part of the sales and the demands of the existing restaurants. This effect may be two folded, as it may manifest among restaurants of the same brand, as well as among restaurants of different brands operated by us. Sales cannibalization between our restaurants may affect the Group's revenue and profitability and may have a material adverse effect on our business, results of operations and financial condition.

Failure to maintain the same growth rates as those recorded in the past may have a material adverse effect on our business, results of operations and financial condition.

We have recently entered the Italian market by opening KFC restaurants in cities where the KFC brand is novel

We have recently opened our first KFC restaurants in Italy. The Italian market, although a competitive and mature food market, has only a limited number of KFC restaurants in operation. We plan to continue our development in Italy and open KFC restaurants in cities where the brand is a new entrant.

We have little operating experience in Italy and restaurants opened in Italy may take longer to reach the expected sales and profit levels on a consistent basis. It is possible, at least initially, for these units to be less profitable on average than our existing restaurants and may have higher construction, set-up costs or operating costs compared to restaurants we open in Romania.

Failure to establish the brand in the Italian market, obtain a sizeable market share, and develop strong brand awareness, may have a material adverse effect on our business, results of operations and financial condition.

We have launched and are further planning to develop Taco Bell brand in the Romanian market

Our first Taco Bell restaurant was opened in Romania on 12 October 2017. Although the Romanian food market is growing, and new brands have been successfully introduced in the recent years, there is a risk that Taco Bell will not be successful. Failure of the Taco Bell brand may have a material adverse effect on our business, results of operations and financial condition.

Failure to secure sub-franchisees may have an impact on the Pizza Hut Delivery business

Yum! has granted us the Master Franchise rights for the development of Pizza Hut Delivery restaurants in Romania, which means we can either open delivery restaurants ourselves or we may sub-franchise to third parties the opening and development of Pizza Hut Delivery restaurants. Although we will plan to continue to open Group operated Pizza Hut Delivery restaurants, we do expect also to be able to identify sub-franchisees who will open incremental restaurants to our existing network. In case we, however, fail to do so, this may have an impact on the Pizza Hut Delivery business, which may have a material adverse effect on our business, results of operations and financial condition.

We operate in a sector where a number of approvals, licences and permits need to be in place for each restaurant

We are subject to a large number of laws and regulations affecting the operation of our business, in particular, European Union legislation, national and local laws and regulations concerning food safety and hygiene, occupational safety and welfare, environment and consumer protection, employment, licensing requirements, and rules imposed by numerous regulatory and enforcement authorities.

In the context of operating in a very strict regulatory environment, we seek to maintain high standards of service, hygiene and consistency across our operations. In accordance with industry standards, the Group's units operate pursuant to regionally appropriate HACCP (Hazard Analysis Critical Control Point) documents. The HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product. We also carry audits across the Group's brand portfolio with the aim of ensuring that the Group is adhering to brand, operational and regulatory standards.

Our licences are subject to review, interpretation, modification or termination by the relevant authorities and the regulatory framework applicable to them is also subject to frequent changes. There is no assurance that the relevant authorities will not take any action that could materially adversely affect our operations. Some of these licenses and other authorizations are particularly complicated and lengthy to obtain and may subject us to ongoing compliance obligations. Failure to comply with the laws and regulations governing our business or with the terms of our licences could result in suspension or withdrawal of those licences, could incur for us substantial costs and liabilities vis-à-vis third parties or governmental authorities, as well as the closure of non-compliant restaurants. As laws and regulations become more stringent, the amount and timing of future expenditures required to maintain substantial compliance could vary materially from their current levels and could adversely affect the availability of funds for capital expenditures and other purposes. To the extent that the cost of compliance increases and we cannot pass on future increases to our customers, such increases may have an adverse effect on our business, results of operations and financial condition.

Our operational authorisations and permits may be deficient

Our environmental and other operational authorisations and permits are generally issued for every restaurant in which we operate. However, there are instances where the environmental authorisations were issued to third parties in respect of the facilities (normally, shopping malls) in which we rent our locations.

The format and minimum content of the environmental authorizations are prescribed by law. Some of our environmental authorizations do not comply with such minimum content or include inaccurate data with respect to the activities carried out in our locations. For instance, certain authorisations provide that we do not handle hazardous/dangerous substances, while we use industrial detergents and/or produce gas from the combustion of fuel in the heating plants, both regarded as hazardous/dangerous substances. Furthermore, some of our sanitary-veterinary permits contain material errors, such as incorrect references to locations for which permits were granted. Consequently, there is a risk that such authorisations and permits may be suspended, cancelled or declared void by the inspection authorities, in which case the affected restaurants may be closed. Also, some authorizations do not make reference to the existence of any equipment on location for the retention, evacuation and dispersion of pollutants in the air, as required by law for the type of activity carried out by us.

Furthermore, most of the operating authorisations are valid until 31 December 2017. The operating authorisations are valid for one calendar year as per the current legislation and are generally renewable upon expiration. Prior to the expiry of their validity, we will be required to apply for the renewal or for the issuance of new authorisations. There is no assurance that we will be able to obtain the relevant operational authorisations and permits or the renewal thereof in time to be able to carry out our business in the restaurants for which authorisations will expire.

Failure to comply with the requirements under our operational authorisations or inability to renew the existing ones could result in substantial costs and liabilities vis-à-vis third parties or governmental authorities, as well as the closure of non-compliant restaurants, which may have an adverse effect on our business, results of operations and financial condition.

Fire safety permits are required for all our restaurants

The restaurant industry is at a high risk for fire due to the operation of hot surfaces and open flames. The Group has undertaken all necessary fire-suppression steps as prescribed by law and regularly procures maintenance of these processes.

The Group does not have firefighting permits (*RO: autorizatii de securitate la incendiu*) in place for few restaurants, mostly for those recently opened where the documentation has been submitted but the permit is yet to be issued. The completion of these procedures is subject to various requirements, which may include performance of certain works and upgrades to the Group's facilities. The Group regards the amounts of the required investments as being immaterial; however, the completion of the necessary works and upgrades is subject to, in certain cases, additional authorisations and clearances, or other procedures in which the Group has engaged. For more details on the issuance of firefighting permits in Romania, please see "*Regulatory – Material Permits and Approval – Firefighting permits*".

There is no assurance that the Group will obtain the necessary firefighting permits for all of its restaurants, or that the Group will be able to obtain these authorisations at reasonable cost. Operation of the Group's units without an appropriate firefighting permit may lead to the authorities closing the respective restaurants for an undetermined period of time, which may have a material adverse effect on our business, results of operations and financial condition.

Operating and leasing a broad portfolio of locations exposes us to potential losses and liabilities

As of 30 September 2017, while the Group owned real estate locations for only one of the Group's 104 restaurants operating at the time, the rest of the locations were leased from public or private persons. The value of these owned real estate assets could decrease, or rental costs could increase, due to, for example, increases in rent under the lease contracts, changes in local demographics, investment climate and tax increases.

The majority of the Group's restaurant locations, or those operated by the Group's franchisee are subject to medium-term leases. The Group may not be able to renew leases on acceptable terms or at all, in which case the Group would have to find new locations to lease (which may not be attainable) or be forced to close the restaurants. Even if the Group is able to negotiate a new lease at an existing location, it may be subject to a rent increase. In addition, current restaurant locations may become unattractive due to changes in neighbourhood demographics or economic conditions (such as traffic patterns, proximity to cinemas or shopping malls, fuel prices), which may result in reduced sales at these locations. Also, in some cases the owner of the property in which a Group restaurant is located has, under the lease contract, a discretionary right to relocate the tenant within the premises with no right for the tenant to refuse the relocation or to receive compensation. This could cause business interruption if fit-out and permitting of the new space are not managed in a timely manner. Business interruptions may also occur in case owners of the property leased by us for our restaurants become bankrupt and the operations in the affected property must be ceased. At the same time, under most lease contacts concluded by Group members as tenants, the owners considerably limit their liability towards the Group for damages caused as a result of improper conduct by other tenants and third parties, criminal actions, failure to provide public utilities, security system errors, and especially regarding the obligation to cover the tenants' lost profit, as well as in case of physical/fortuitous damage to the location.

Furthermore, the properties currently owned or used by the Group may be subject to restitution claims by former owners, on the grounds that such properties were abusively confiscated by the Romanian State during the communist regime. As a general rule, former owners benefit from restitution in kind of their former properties. However, if restitution claims may no longer be solved by restitution in kind, remedy through other compensatory measures may be granted. Even if claimants potentially entitled to file restitution claims under specific restitution laws have not asserted such claims, under the Romanian Civil Code they are theoretically entitled to reclaim their former properties without any statute of limitations being applicable. If a court of law awards restitution in kind of the property owned or used by a member of the Group, the latter may be forced by the new owner of such property to cease any activity on that property and leave the premises. Such an occurrence may have a material adverse effect on our business, results of operations and financial condition.

Covenants and events of default in the agreements governing our outstanding indebtedness could limit our ability to undertake certain types of transactions and adversely affect our liquidity

As at 30 June 2017, our consolidated indebtedness (interest bearing loans and borrowings) amounted to RON 47 million. Our main debt exposure is through US Food Network S.A. ("**USFN (Romania)**") and through American Restaurant System S.A. ("**ARS (Romania)**") towards Alpha Bank Romania S.A.. The credit facility contract allows the companies to draw funds for their planned investments and for working capital needs. The credit facility is granted subject to the companies and their guarantors complying with certain financial and other covenants. In particular, prior approval of the bank is required for a series of corporate actions, such as: changes to the corporate structure, or to its articles of association, or operational actions, such as: sale of and/or encumbrance of assets, transfer of funds through advisory or similar arrangements with a value exceeding certain thresholds. Furthermore, events such as: cross-default under the companies' other financial obligations, change of control deemed by the bank to have a material adverse effect (as defined in the facility contract) entitle the bank to accelerate the amounts extended under the facility and declare the amounts immediately due and payable. The bank may also enforce the security rights and guarantees created in favour of the bank to secure the Group's obligations under the facility. For more information about our covenants in the financing arrangements, please see "*Business – Financing Facilities*".

If we fail to comply with the covenants or in the event of default under our current credit facility documentation, our outstanding indebtedness may become immediately due and payable, in which case we may not have sufficient liquidity to finance our investments and working capital needs. In this case we could be required to sell assets, refinance all or part of our indebtedness or to obtain additional financing. Refinancing may not be possible and additional financing may not be available on commercially acceptable terms, or at all.

Any event that gives our creditors the right to declare our current indebtedness immediately due and payable may materially affect our liquidity, which may have a material adverse effect on our business, results of operations and financial condition.

We are exposed to fluctuations in foreign exchange rates

Our functional currency for our Romanian operations is RON. However, our indebtedness towards the bank is denominated in EUR and we pay our franchise related fees to Yum! under Franchise Agreements in USD.

During recent years, the volatility of the EUR/RON and of the USD/RON exchange rates was relatively low. However, there can be no assurance that this trend will continue. Also, historically, we have not entered into arrangements to hedge against foreign exchange fluctuations.

Furthermore, the presentation currency for the consolidated financial statements is RON, while the functional currency for our Moldovan subsidiary is the MDL and the functional currency for our Italian subsidiary is the EUR. Therefore, we are exposed to fluctuations in exchange rates when converting MDL and EUR amounts into RON for reporting purposes.

Any material fluctuations in the foreign exchange rate for currencies which are relevant to our business may have a material adverse effect on our business, results of operations and financial condition.

We are exposed to fluctuations of the interest rate

The Group's borrowings are usually exposed to interest rate risk through market value fluctuations of interest-bearing long-term and short-term credit facilities. Group's policy is to resort mainly to variable interest rate financing. However, at the time of raising new loans or borrowings the Group companies use their judgment to decide whether they believe that fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Financial markets volatility may determine material fluctuations in the interbank market interest rate which may have a material adverse effect on our business, results of operations and financial condition.

We may be exposed to claims or disputes in the ordinary course of business

We are involved in claims, disputes and legal proceedings from time to time in the ordinary course of business, such as claims of the Group's former employees for allegedly unlawful termination of the individual labour contacts, third party debt orders and other claims from public authorities. At the date of this Prospectus, we believe that none of the litigation that we are party to is material to the Group's business. However, any future material litigation or disputes may have a material adverse effect on our reputation, business, results of operations and financial condition.

A potential failure to protect the integrity and security of personal information of our customers and employees could result in substantial costs, expose us to litigation and damage our reputation

The Group employs a vast number of personnel and serves a wide customer base for which there are very strict (and some very new) legal rules on personal data protection, including fines expressed as a percentage of the turnover. Failure to protect the integrity and security of personal information of our customers and employees could result in substantial costs, expose us to litigation and damage our reputation, and may have a material adverse effect on our business, results of operations and financial condition.

We may not be able to ensure the traceability of the recovered/recycled package waste

We have transferred our responsibility to manage our package waste to authorised economic operators based on specific contracts. If the authorised operators with whom we have entered into a responsibility transfer contract are unable to collect and manage all the quantities of package waste for which responsibility was transferred, the authorities may apply fines, default penalties and interest, or in certain circumstances, even commence criminal investigations against the non-compliant operator. Although the responsibility is considered to be transferred to the operator, the recently amended legislation provides for more stringent requirements also for the producers who transferred their liability for package waste. Thus, we are obligated to keep evidence of all quantities of package waste placed in the market from our activity, as well as of all quantities recovered or incinerated in energy recovery incineration plants and all quantities of total packaging waste and each type of recycled material. In order to be able to comply with these obligations, we have to check the information provided by the authorised operators that we use in respect of such quantities and ensure that the traceability of the recovered/recycled package waste is possible. This may not be possible at all times. Failure to comply with the regulatory framework on package waste management exposes us to potential fines from the competent supervising authorities or in certain cases, our operating licence may be cancelled, in which case we will be unable to carry out our activity in the affected locations, which may have an adverse effect on our business, results of operations and financial condition.

A number of insurance policies need to be in place to cover for a wide range of potential liabilities

We maintain insurance policies with respect to certain operating risks, including employer's and product liability, property liability and "all risks" type coverage. There can be no assurance that the level of insurance we maintain is appropriate for the risks to our business or adequate to cover all potential claims. Insurance policies currently in place may not provide adequate coverage for all claims associated with our business operations. Failure to have in place insurance policies that cover any potential liability may have a material adverse effect on our business, results of operations and financial condition.

A strike or other labour disruption may have a material adverse effect on our business

A substantial number of the Group's employees are represented by employees' representatives. The Group's initiatives to reduce costs and improve production efficiencies may include the reduction of its workforce. In the event that agreements cannot be reached with the employees' representatives for the method through which the workforce reduction occurs, this part of management initiative may fail, as it could be impaired by strikes, threats of strikes or other work stoppages.

Furthermore, based on the recently introduced stricter regime under the Romanian labour law, any irregularities found in the individual labour contracts entitles the competent labour authority to order closing of the restaurant where the irregularities have been identified.

Any material labour disruption in our restaurants may have a material adverse effect on our business, results of operations and financial condition.

Poor maintenance of the road network in Romania may adversely affect our Pizza Hut Delivery business

Romania's road network, even within its main cities, is in a constant state of maintenance and upgrade, and during winter it requires regular up keeping in order to maintain its use due to snowfall. The timely and safe delivery of our products for the Pizza Hut Delivery business depends on the road network, and any failure, due to maintenance works or unsafe passage, may have an adverse effect on our business, results of operations and financial condition.

Our information systems and the implementation of an Enterprise Resource Planning (ERP), may fail or be damaged, which could harm our operations and our business

We maintain a number of information systems and platforms ("**IT**") that are critical to the proper functioning of our operation, while some, like the on-line ordering platform for Pizza Hut Delivery, are business essential. IT systems are vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, physical damage to vital IT centres and computer virus infection. IT systems need regular upgrading to meet the needs of changing business and regulatory requirements and to keep pace with the requirements of our existing operations and possible expansion into new markets. We may not be able to implement necessary upgrades on a timely basis, and upgrades may fail to function as planned.

Also, we are in the process of implementing an ERP system in the Group that would enable greater integration and functioning of our core processes and functions. Any failure, damage, temporary or permanent, as well as failure to timely and successfully migrate to the new ERP system, may harm our operations and our business, while any major disruption of our existing IT systems may also have a material adverse effect on our business, results of operations and financial condition.

Any changes to the current food law regime in Romania and in other countries in which we operate may require engagement of significant costs to ensure compliance

Food safety is one of the primary public concerns in every country. In Europe, the European Commission developed an integrated approach to food safety "from farm to table", primarily set out in its White Paper on Food Safety. It covers all sectors of the food chain, including feed production, primary production, food processing, storage, transportation and retail sale. In 2002, the European Parliament and the Council adopted Regulation (EC) No 178/2002 setting the general principles and requirements of food law. Ever since such regulatory actions, Romania and other European countries constantly seek to comply with the European standards on food safety.

In addition, the European Commission is currently preparing a common methodology that would examine if food quality is lower in some EU member states than others, after several leaders of central and eastern EU member states have alleged that there is "dual food quality", with consumers in the relatively poorer countries of the bloc being subject to inferior quality products. On 25 July 2017, the European Commission started a dialogue with producers and retailers to discuss how to collaborate on this issue. It is unclear what measures will be proposed after the testing stage is completed and the results revealed. The Group may have to adapt to new rules, laws and regulations to be potentially passed with respect to food quality in case the European Commission decides to take action following the completion of the test and such efforts to adapt may require significant expenditure on the part of the Group.

In Romania, the Parliament introduced the food waste law in 2016, which requires local retailers to donate unconsumed, but safe food products, close to their expiry threshold, to charitable institutions, or sell them at reduced prices. Although the law officially came into force on 21 May 2017, its provisions are not clear enough to be applicable in practice and application norms have not been issued. Its application has been postponed until 31 December 2017.

The Romanian Ministry of Finance has announced that it plans to introduce a new tax on foods and drinks containing high sugar contents, also known as "sugar tax".

In Romania, according to Order no. 163/2016 of the National Authority of Consumer Protection, operators selling bread, bakery and pastry, as well as restaurants that use frozen food in the preparation of their menu items, are obliged to inform consumers regarding the products obtained from frozen foods. Recently, the Italian Court of

Cassation (Italy's highest civil court) ruled that it is illegal for restaurants to serve frozen food without disclosing that fact to customers. As Italy is one of the markets in which the Group operates, court rulings such as this may cause the Group to engage significant costs in replacing or amending the labelling used for the products offered in its restaurants.

It is also expected that Romania will adopt a national regulation for implementation of sanctions under EU Regulation 1169/2011 on the provision of food information to consumers (also known as, "**FIC Regulation**"), whereby breaches related to consumer information will be subject to significantly higher fines.

Legislation in the food industry sector often lacks clear procedural direction, as food operators are not given clear guidelines or instructions on how to implement the measures introduced by new legislation or secondary norms in practice. Any failure to comply with applicable laws or regulations may result in fines or other sanctions applied by the relevant regulator and may have negative reputational consequences. If the Group has to incur significant costs to comply with new laws and regulations or if it incurs fines and/or reputational damage as a result of its failure to comply with new laws and regulations, it may have a material adverse effect on our business, results of operations and financial condition.

Any tax increase or change in tax legislation may adversely affect our operational results

Among the proposed changes to the Romanian Fiscal Code is the introduction of a new tax on products the consumption of which has a major negative impact on public health. There is no list or definition of what may constitute products that may have a negative impact on health. According to press releases, the officials have announced that they will investigate the European practice in this respect and will consider the analysis performed by the Ministry of Health. Considering that we operate in the fast-food business, if implemented, such measures may increase the Group's tax liabilities, and negatively impact consolidated results of the Group.

Furthermore, a special VAT split payment mechanism is expected to become mandatory on 1 January 2018. This will translate into the Group being required to adapt its management systems and internal policies to this new mechanism in a relatively short timeframe. Moreover, given the volume of transactions carried out by the Group, we expect the related costs, as well as the associated compliance burden to be significant. The VAT split payment mechanism is still under discussions at the level of the Romanian Parliament. In this context, it cannot be excluded that the law will be further amended due to increased controversy and following such amendments the VAT split payment mechanism may not be applicable to the Group.

Any changes to the tax legislation in any jurisdiction in which we operate that increases our tax burden may have a material adverse effect on our business, results of operations and financial condition.

We may not be able to always comply with the transfer pricing rules

Certain transactions made between various companies within the Group may have not been entered into at arm's length. Tax authorities may adjust the revenues, interest income and expenses of the companies taking part in the intra-group trades and financing, if the authorities believe that the Group may not justify or improperly justifies in all instances the prices charged between related parties, which would result in corresponding adjustments to the Group companies and potentially additional late payment interest and penalties for certain Group entities.

Furthermore, considering that the Company centralises all management functions and invoices its subsidiaries various types of services (i.e. management services, sales support services, development services, human resources activities, marketing services, IT support services, etc.), such transactions must be carried out in compliance with the arm's length principle. Thus, special consideration should be given to transfer pricing rules. If the Company cannot justify or improperly justifies the prices charged to related parties, there is a risk that the tax authorities will adjust the taxable revenues of the Company. An increased level of corporate tax may adversely affect the Company and its profitability, which have an adverse effect on our business, results of operations and financial condition.

Deductibility of expenses and VAT may be limited

Given that the Company performs both business activities, by carrying out management functions for its subsidiaries (as referred to above), as well as holding activities (i.e. holding and trading securities), the deductibility of its expenses and of the related VAT may be limited. The reason for this limitation is that the holding activity itself (i) does not allow for the deduction of those expenses and VAT directly attributable to the holding activities; and (ii) allows only for the partial deduction of the Company's general expenses and related

VAT (on a pro-rata basis). General expenses are those expenses (e.g. accounting, IT etc.) which cannot be directly attributable either to the management activities or to the holding activities. A limited deductibility of expenses and of the related VAT could have a material adverse effect on our business, results of operations and financial condition.

We may have to implement IFRS 16 (*Leases*) starting on or after 1 January 2019

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. The standard has not been yet endorsed by the EU. We have entered into operating lease agreements as lessee for the premises of most of our restaurants. We are currently assessing the impact of the standard on our financial statements. Taking into consideration the significant number and value of signed lease agreements, we expect a significant impact following the adoption of the standard on our consolidated statement of financial position, and a less significant impact on our statement of comprehensive income, which could have a material adverse effect on our business, results of operations and financial condition.

Our management team and the BoD members have limited experience in managing and governing a public company, and regulatory compliance may divert our attention from the administration of our business

Our management team has limited experience managing a publicly-traded company or complying with the increasingly complex laws pertaining to public companies. In particular, our chief executive officer has not previously managed a publicly-traded company. In addition, most of our current BoD members have no relevant experience serving on the boards of public companies and two BoD members have recently joined our board of directors. In order to have an effective BoD, these new BoD members will need to integrate with our other BoD members and management and become familiar with our operations and growth strategies.

We may incur significant costs to ensure compliance with new corporate governance, transparency and reporting requirements that will become applicable to us following the admission of Shares to trading on the BSE. Also, we may not successfully or efficiently manage to comply with the requirements associated with being a public company. Our failure to comply with all applicable requirements could lead to the imposition of fines and penalties, distract our management team from attending to the administration of our business, result in a loss of investor confidence in our financial reports, which could have a material adverse effect on our business, results of operations and financial condition, as well as on the price of the Shares.

Our restaurants and the equipment in our restaurants may get damaged or destroyed as a result of events or factors that are beyond our control

Our ability to successfully provide satisfactory customer service depends on the efficient and uninterrupted operation of restaurants and of the equipment that assists our employees to serve our customers in the restaurant. Our restaurants as well as the business related equipment are vulnerable to damage or interruption from human errors, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, break-ins, earthquakes and similar events. We may not have sufficient protection or recovery plans in certain circumstances. The occurrence of any of the foregoing risks could have a material adverse effect on our business, results of operations and financial condition.

We are exposed directly or indirectly to reputational risk

Our business and the Offering received press and other media coverage prior to the publication of this Prospectus. The articles resulting from such coverage may include reference to events, information (particularly with respect to valuation) and risks that are not included in this Prospectus. Furthermore, our brands have been wrongfully associated in the mass media with persons who have been convicted of criminal offences. The strong recognition of our brands on the one hand exposes us to an extensive media coverage, on the other, which can lead to reputational issues for the Group and our name.

Any negative media coverage on our business or our history could harm the Group's reputation, which may have a material adverse effect on our business, results of operations and financial condition.

Country-Specific and Regional Risks

Investor confidence in emerging economies, including Romania, may further decline due to uncertainty regarding the global macroeconomic environment

Investor confidence in emerging economies, including Romania, could falter, due to persistent poor performance of the global economy and political, especially geopolitical, uncertainties, which hamper recovery and growth in various regions.

In the United States, the tightening monetary policies implemented by the United States Federal Reserve Board starting in December 2015 have increased levels of uncertainty for global economic recovery. Economic growth in Europe has been weak in recent years, and many European economies continue to face structural challenges, including high levels of unemployment and structural debt levels. In addition, the United Kingdom held a referendum on 23 June 2016, in which a majority voted for the United Kingdom to exit the European Union ("**Brexit**"). The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to the European Union markets either during the transitional period or on a permanent basis. Brexit could adversely affect European or worldwide economic markets and contribute to instability in global financial and foreign exchange markets. Europe is further affected by the increasing migration crisis absorbed unevenly by its countries, maintenance of high alert levels due to acts of terror, and persistent banking sector problems in certain euro area countries, which heighten uncertainty about future growth. The Chinese economy faces its own significant uncertainties, including a high level of indebtedness (particularly of non-financial corporations) funded through an increasingly opaque financial system. Further geopolitical tensions, especially those in the Middle East, North Korea and Africa add yet more uncertainty to global growth prospects as does the recent recourse to protectionist trade policies that could restrict international trade.

There can be no assurance that market disruptions in Europe and globally will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilise the affected countries and markets in Europe or elsewhere. The possible exit from the Eurozone of one or more European states and/or the replacement of the euro by one or more successor currencies could cause significant market dislocations and lead to adverse economic and operational impacts that are inherently difficult to predict or evaluate. Market and economic disruptions stemming from these factors have affected, and may continue to affect, *inter alia*, the inflow of investment capital, the balance of trade, consumer confidence and spending and bankruptcy rates in Romania, which in turn could have a material adverse effect on our business, results of operations and financial condition.

Recent political and social unrest risks weakening market confidence

Romanian political scene continues its unsettling trend of the recent years. In June 2017, the cabinet lead by Sorin Grindeanu was voted out of office by way of a "no confidence" motion filed by the ruling party (PSD – Social Democrats) claiming poor governmental performance, and was replaced by Mihai Tudose sworn in as Prime Minister on 26 June 2017. These events occurred just months after the ruling party faced massive street protests shortly after being sworn into office in January 2017. The protests were targeting retraction of the proposed bills to facilitate the pardoning of officials imprisoned for bribery and increase in the financial threshold above which official misconduct is punishable by prison. More recent, the Prime Minister announced a limited reshuffling of the Government, as a result of which a number of ministers, some of whom are undergoing criminal investigations, will have to leave the office.

Strategic priorities in Romania are often affected by the political cycle, changes in political authority, in line ministries and other politically motivated factors. While many political and economic reforms have been enacted in recent years, certain other key reforms have not been implemented and Romania still presents a number of structural deficiencies, such as a widening trade deficit, an ageing population which will require greater government expenditures on social services in the future and, historically, a current account imbalance, as well as delayed absorption of EU funds. Each of these weaknesses may affect Romania’s creditworthiness.

Social and political uncertainty, as well as the ongoing investigations of a number of government officials could exacerbate the perception of persistent corruption in the Romanian Government and adversely affect the investment climate and the economy. If political and social uncertainty in Romania continues or increases, it could have a material adverse effect on our business, results of operations and financial condition.

Deterioration in fiscal policies threatens growth in Romania

Romania's economy grew by 4.8 percent in 2016, a new post-crisis high and one of the fastest in the EU. The increase was fuelled by an expansionary fiscal policy and labour market improvements, which have boosted consumption, the main current driver of economic growth in Romania. However, successive tax cuts in recent years have reduced revenues, while wages and pensions have grown, outpacing labour productivity, and leading to increasing unit labour costs. In addition, the current Government's 2017-2020 plan, published in June 2017, envisages additional significant tax cuts (e.g. a decrease of the VAT rate from 19% to 18% from 1 January 2019 and exclusion of a series of taxes). Furthermore, the Unified Wage Law effective as of 1 July 2017, introduced to eliminate distortions in the public remuneration system, provides for a significant increase in average public wages, from 1 January 2018. Following debates with the National Bank of Romania and the Fiscal Council, the government scaled down the scope of fiscal loosening measures for the rest of the year.

On 14 July 2017 Fitch Ratings affirmed Romania's Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDRs) at "BBB-" with Stable Outlooks. However, the rating agency cautioned that the rating is facing an increase in downside risks owing to a substantial pro-cyclical fiscal loosening and rapid increase in wages in excess of productivity growth, which pose risks to macroeconomic stability. Among the risks highlighted by the agency is the widening of Romania's general government budget deficit to 3% of the GDP in 2016 from 0.8% of the GDP in 2015, despite the booming economy. Fitch projects the deficit will widen to 3.7% of GDP in 2017, above the government's target of 2.9%, owing to further cuts in VAT and excise rates, and increases in public wages, pensions and other measures.

According to the European Commission, the structural budget deficit will widen to 3.9% of GDP in 2017, which would represent an expansion of 3.3% of GDP in two years, contrary to national and EU fiscal rules. Romania is at risk of re-entering the EU Excessive Deficit Procedure in 2017 (the EU's detailed procedure to correct excessive deficit or debt levels). On 22 May 2017, the European Commission addressed a warning to Romania on the existence of a significant deviation from the adjustment path toward the medium-term budgetary objective in 2016 and recommends the European Council to adopt a recommendation for Romania to take appropriate measures in 2017 with a view to correcting this significant deviation.

Further steep tax cuts without accelerating efforts to improve revenue collection and an additional spike in public wages when the effectiveness of public sector reforms still lags, pose a significant risk of uncertainty with respect to the fiscal and income policy outlook, which in turn could have a material adverse effect on our business, results of operations and financial condition.

Financing opportunities from internal and external sources are under-exploited which hinders growth

The main sources of investment financing in Romania are state budget funds, EU structural funds and loans from international financial institutions such as the International Monetary Fund, the European Investment Bank and the European Bank for Reconstruction and Development. According to the European Commission's 2016 Country Report for Romania, Romania has the second lowest level of public investment among peer countries and it is alone among its peers in that public investment has decreased every year since 2008. Capital expenditure is frequently under-executed relative to the budgeted amounts and a substantial part of it tends to be spent towards the end of the year.

Furthermore, during the first five months of 2017, Romania collected EUR 1 million in EU funds, corresponding to an absorption rate of 0.004% from the total amount allocated for Romania for 2017, under the EU structural funding for the 2014 – 2020 period. Prior to that, according to the Ministry of Public Finance, Romania absorbed less than two thirds of the total funds (Structural and Cohesion Fund and European Agricultural Fund for Rural Development) allocated under the 2007-2013 programming period (69% in December 2015). As a result, a number of projects started but not finalised during the 2007-2013 programming period are financed in the 2014-2020 programming period.

These self-induced barriers in financing investments restrain potential growth in Romania, which in turn could have a material adverse effect on our business, results of operations and financial condition.

The Romanian national currency may register high levels of volatility

The Romanian Leu's value against foreign currencies is determined in the interbank foreign exchange market. The National Bank of Romania (the "**NBR**") may limit volatility of the Romanian Leu, depending on a number of economic and political factors, including the availability of foreign currency reserves and foreign direct investment inflows, as well as developments in market sentiment and investors' risk aversion. Any changes to global investors' perceptions of Romanian or global economic prospects may lead to depreciation of the Romanian Leu. A significant depreciation of the Romanian Leu could adversely affect the country's economic and financial condition. Any higher than expected inflation resulting from the depreciation of the Romanian Leu could lead to a reduction in customer purchasing power and erosion of customer confidence, which may have a material adverse effect on our business, results of operations and financial condition.

Deficient and poor-quality infrastructure in Romania limits investments

The underdeveloped infrastructure, particularly the transportation system, is among the most problematic aspects of doing business in Romania. According to the 2016-2017 Global Competitiveness Report, Romania still ranks last among its regional peers in the perceived quality of transport and communication infrastructure. Romania has been slow to expand and urgent repairs are often necessary even on newly built roads, despite the numerous development projects undertaken in the past years to improve infrastructure (including the use of public-private partnerships) and the available funding from the EU.

The insufficient development of infrastructure is a barrier to trade and economic development, may generally limit investments in Romania, and restrain potential growth in Romania, which in turn could have a material adverse effect on our business, results of operations and financial condition.

EU may apply sanctions if Romania fails to meet its post-accession obligations

Romania joined the EU in January 2007 and is subject to certain post-accession benchmarks mandated by the EU under the Cooperation and Verification Mechanism ("**CVM**") to help Romania address shortcomings in judicial reform and fight corruption. The CVM will end when all benchmarks applying to Romania are satisfactorily met.

On 25 January 2017, the European Commission published its latest report on the progress of Romania under the CVM, marking the 10th year anniversary since Romania was placed under CVM. The report shows that, despite some periods when reform lost momentum and was questioned, Romania has made major progress towards the CVM benchmarks. A number of key institutions and important legislation are in place and an established track record was seen in many areas. However, the European Commission indicates that important shortcomings prevail and need to be addressed, such as inconsistencies in court decisions triggered mainly by follow-up of jurisprudence by public administration and excessive workload of courts and non-implementation or delayed implementation of court decisions by the administration, which erode confidence in justice and waste time and resources in follow-up cases or appeals on repetitive decisions. The European Commission considers that anti-corruption policies remain weak, particularly in public procurement.

If Romania fails to adequately address the recommendations of the European Commission regarding actions to be taken by the Romanian State, the EU is entitled to apply certain sanctions against Romania, including suspension of the obligation of other EU member states to recognise and enforce, under the conditions laid down in EU law, the decisions of Romanian courts. The application of any of the sanctions referred above may have a negative effect on investor confidence in Romania, which could have a material adverse effect on our business, results of operations and financial condition.

Law making processes often skip public consultation or impact study stages and adopted legislation is not applied consistently by public authorities and courts and frequently lacks transitional norms, which endangers competitiveness

Since its accession to the European Union in 2007, Romania has laboriously pursued the convergence of its legal framework to facilitate a prosperous market economy and investments. This process is supported by the requirement to enact EU-compatible legislation. In many cases, the adaptation of Romanian law to EU legislation tends to follow an imitation path rather than true adaptation, which may result in existing laws and regulations being applied inconsistently. Due to these changes, precedents will often not be available and interpretation of laws and regulations may be subject to significant uncertainties. Additionally, in some circumstances, it may not be possible to obtain the legal remedies provided for under these laws and regulations in a reasonably timely manner. Although institutions and a legal and regulatory system characteristic of a parliamentary democracy have been developed, there is still a lack of institutional history and there may be no generally observed procedural guidelines. As a result, shifts in government policies and regulations tend to be less predictable than in the countries of Western Europe.

Furthermore, legislative initiatives of the Government and the Parliament members rarely take into consideration public opinion or pass through the legislative process without a proper impact assessment. A few recent examples in this respect include the draft law seeking pardoning of public officials imprisoned for bribery and the initiative to liquidate Pillar II pension funds (mandatory private pension funds). According to the Vice chairman of the FSA responsible for the Investments and Financial Instruments sector, Pillar II pension funds are the largest local institutional investors in shares traded on the BSE, ensuring 10% of the BSE's liquidity. Also, fiscal relaxation measures are not adopted in full compliance with the provisions of the fiscal responsibility law, according to which new legislative initiatives that involve an increase in public spending or a reduction of public revenues must include an impact assessment verified by the Ministry of Finance. For a number of legislative initiatives in 2015 these provisions were breached. These include Parliament's initiatives to reintroduce special pensions and increase wages outside the expenditure ceilings and without proper impact assessment, as well as the significant tax cuts included in the Fiscal Code amendments without compensating measures and without the endorsement of the Fiscal Council.

Another frequent, inhibiting practice in Romania is the replacement of the normal legislative process by government emergency ordinances, with a single ordinance occasionally covering several policy areas. Furthermore, adopted legislation often takes immediate effect on publication and before secondary regulations have been prepared. The complexity of administrative procedures as well as fast-changing legislation and policies constitute major obstacles to doing business in Romania. According to the World Bank 2016 Worldwide Governance Indicators, Romania's scores for regulatory quality and rule of law are well below the EU average: its regulatory quality score has decreased from 0.64 in 2010 to 0.59 in 2015, whilst the rule of law score has only slightly increased from 0.04 in 2010 to 0.15 in 2015 (the total range is -2.5 to 2.5).

Accordingly, the Group may face difficulties in rapidly adjusting its operations to comply with newly introduced laws and regulations. Any failure to comply with applicable laws or regulations may result in fines or other sanctions imposed by the relevant regulator and may have negative reputational consequences. Legislative uncertainty, bureaucratic inefficiency as well as the additional costs of having to adapt to constantly changing legal requirements, often without any transitional periods for conformation, could have a material adverse effect on our business, results of operations and financial condition.

The European Commission has initiated infringement proceedings against Romania in a number of areas, including waste management

The Group operates in a strongly regulated environment, particularly in food product and waste management sectors, both locally and on the European level. A large number of regulations the Group must comply with are norms implementing European directives in Romania and Italy. In certain areas, Romania fails to comply with its obligations under EU law, in which case the European Commission is entitled to initiate infringement proceedings against Romania.

In April 2017, the European Commission referred Romania to the European Court of Justice for failure to review and update its national waste management plan and waste prevention programme in line with the objectives of EU Waste Framework Directive (Directive 2008/08/EC), despite having sent early warnings. The revision should have taken place at the latest by 2013. Such plans and programmes are intended to reduce the impact of waste on human health and the environment, and to improve resource efficiency across the EU. They are also key to accessing EU funds and setting the framework for the development of sustainable waste infrastructure. EU member states have to re-evaluate their waste management plans at least every six years and revise them as appropriate. The European Commission initiated the infringement procedure in September 2015 and sent a reasoned opinion to Romania in May 2016, urging the authorities to promptly adopt the instruments required by the waste legislation. According to the European Commission, Romania is one of the most underperforming EU member states in terms of managing municipal solid waste, with the highest landfilling rate of 72%, far above the EU average of 25.6%, in 2015. Earlier in February 2017, the European Commission referred Romania to the European Court of Justice for its failure to close and rehabilitate 68 illegal landfills, which represent a serious risk to human health and the environment.

Also, in February 2017, the European Commission sent a letter of formal notice to Romania on the grounds that its national rules on retail of agricultural and food products ran against EU law. Specifically, large retailers in Romania are required to purchase at least 51% of food and agricultural products from local producers, which raises concerns with respect to freedom of movement of goods. The same law also requires retailers to promote products of Romanian origin, restricting their commercial decision as to which products to place on offer, which in turn is contrary to EU core principle of freedom of establishment**.** According to EU law, restrictions of these freedoms are only permitted when there is a justified need to protect an overriding public interest, such as public health. Romania has not provided evidence that its national measures are justified and proportionate.

Consequently, the local food and waste management legislation may undergo significant and rapid changes leading to additional costs being incurred to comply with such regulatory changes, which may have a material adverse effect on our business, results of operations and financial condition.

Corruption could create a difficult business climate

Corruption in Romania and in other countries in which we operate is a systemic risk to our business. In Romania corruption is present in many economic sectors and involves appointed and elected officials at all levels of government as well as civil servants and employees of public institutions. The 2012-2015 national anti-corruption strategy managed to provide some progress in enacting corruption prevention measures at the level of national administration. However, local administration structures are lagging behind in terms of building up the necessary capacity to prevent corruption effectively and Romania is still listed among the most corrupt EU member states, according to the 2016 Transparency International Corruption Perceptions Index (ranking 57 among the 176 countries assessed), followed by Italy (ranking 60) and further down by the Republic of Moldova (ranking 123).

Corruption materially affects the perception of a country's stability and quality of investment potential and thus impedes economic performance, which in turn adversely affects our business, results of operations and financial condition.

Risks relating to the Shares and the Trading Market

The Offering may not result in an active or liquid trading market and investors may be unable to resell their Shares at or above the Final Offer Price

Prior to the Offering, there has been no public market for the Shares. Following the successful closing of the Offering and admission of Shares to trading on the BSE, an active trading market for the Shares may not develop or, if it develops, may not be sustained or be liquid. Active, liquid trading markets generally result in lower price volatility, and more efficient execution of trading orders for investors. If a liquid trading market for the Shares does not develop, the price of the Shares may be more volatile and it may be more difficult to execute trades in Shares.

The Offer Price will be determined by the Company and the Selling Shareholders together with the Joint Bookrunners and may not be indicative of the price at which the Shares will trade following the admission of Shares to trading on the spot regulated market operated by the BSE. Furthermore, sales of a substantial number of Shares after the admission thereof to trading or the perception that these sales may occur, could have a material adverse effect on the price of the Shares.

The current shareholders of the Company will continue to have significant influence over the Company after the Offering, and their interests may not be aligned with those of the other shareholders of the Company

Following the Offering, the current shareholders of the Company will still own more than 74% of the Shares, making them the majority shareholders of the Company. As a result, they may be able to exercise significant influence over the Group and over matters requiring shareholder approval, including election of directors, business strategy, dividend distribution and significant corporate transactions, including acquisitions of participations in other entities. Complying with such decisions could lead to significant capital expenditure or may have the effect of delaying, deferring or preventing a change in control, impeding a merger, consolidation, takeover or other business combination. Therefore, there can be no assurance that any matter which is to be put to the shareholders for decision will be resolved in a manner that other holders of the Shares would consider to be in their or our best interest. In addition, the current shareholders may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, could enhance its equity investment, even though such transactions may involve risks to other holders of the Shares. Differences between the interests of the current shareholders of the Company and the other future shareholders of the Company may lead to conflicts or may restrict the Group's ability to implement its business strategy, which may have a material adverse effect on our business, results of operations and financial condition.

The Shares may not be admitted to trading on the BSE or may be de-listed from the BSE

The admission of the Shares to trading on the spot regulated market operated by the BSE involves the BSE approving the Company's application for admission to trading. The Company intends to take all necessary steps to ensure that the Shares are admitted to trading as soon as possible after the closing of the Offering. However, there is no guarantee that all listing and/or trading conditions will be met. Consequently, there is no assurance that the Shares will be admitted to trading on the spot regulated market operated by the BSE on the estimated date or at all.

Furthermore, the FSA and/or the BSE may suspend trading in Shares if the Company fails to comply with the applicable regulations (such as, for example, specific disclosure requirements) or if such suspension is necessary to protect the interests of market participants or in case the orderly functioning of the market is temporarily endangered. There can be no assurance that trading in the Shares will not be suspended. Any suspension of trading could adversely affect the trading price of the Shares.

Also, if the Company fails to fulfil certain requirements or obligations under the laws and regulations applicable to companies the shares of which are listed on the BSE, or if the orderly stock exchange trading, the safety of trading thereon or investors' interests are endangered, the Shares can, subject to certain conditions being fulfilled, be excluded from trading on the stock exchange. There can be no assurance that such event will not occur in relation to the Shares. All these risks would, if they materialise, have a material adverse effect on the price of the Shares and on the ability of the investors to sell their Shares on the stock exchange.

As a holding company, the Company’s operating results, financial condition and ability to pay dividends or other distributions are mainly dependent on dividends and other distributions received from its subsidiaries

Declaration and payment of dividends in the future will be decided by the Company's shareholders. The Company's ability to pay dividends in the future will depend on, among other things, the Company's future profits (including the distributable profits obtained by the Company's consolidated subsidiaries), cash flows, financial position and capital requirements, the sufficiency of distributable reserves, prospects, credit terms, the ability of the subsidiaries to pay dividends to the Company, general economic conditions and other factors that the BoD members and/or the shareholders deem to be important from time to time in deciding the dividends, if any. For details on the contractual restrictions applicable to the Company's distribution of profits see the section "—*Material Contracts*" below. Furthermore, the dividends declared by the subsidiaries, if any, are paid to the Company in the year subsequent to that for which the dividends are distributed. Such dividends are then recognised as revenue and generate profits which may be distributed to the Company's shareholders (provided that the Company has registered distributable profit in its annual financial statements), based on the shareholders' resolution, in the year subsequent to that when the subsidiaries declare dividends to be paid to the Company.

In addition, under Romanian law the Company must allocate an amount of 5% of its annual profit to a legal reserve until the reserve equals at least 20% of the Company’s share capital. The Company’s legal reserve currently does not meet this requirement nor will it meet the requirement at the time of the closing of the Offering. Accordingly, 5% of our annual profit will need to be allocated to the legal reserve until the minimum threshold is reached.

As a consequence of all these factors, there can be no assurance that the Company will declare, distribute or pay dividends in the future. Also, if the shareholders decide against declaring dividends in the future, the price of the Shares may be adversely affected.

Exchange rate variations may have an adverse impact on the value of non-Romanian holders of Shares

The Shares and any potential dividends that the Company's shareholders may decide to distribute will be denominated in RON. Investments by investors that use a different currency as their reference currency will expose such investors to foreign currency exchange rate risks. Any depreciation of the RON in relation to such foreign currency will reduce the value of the investment in the Shares or of the dividends payable by the Company for those investors.

The price of the Shares may generally fluctuate

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them and may be triggered by external factors which are beyond the Company's control. In addition, the market price of the Shares may prove to be highly volatile and may fluctuate significantly in response to a number of factors. The price of the Shares will depend on general economic developments, interest rate changes, changes in financial estimates by securities analysts, changes in market valuation of similar companies, additions or departures of key personnel, the development of the individual markets concerned (including Romania) and on the commercial performance and future prospects of the Group. The price of the Shares will also be dependent on the current and future development of the Romanian capital markets. The performance of the Shares may accordingly correlate with developments on the local and regional or international capital markets, potentially independently of the underlying performance of the Group. Accordingly, no forecast can be given as to a specific price or performance of the Shares. For example if several negative developments on the food service market and/or on capital markets occur, there could, ultimately, be a risk of a partial or complete loss of the capital originally invested in the Shares.

Future sales of substantial amounts of Shares, or the perception that such sales could occur, could adversely affect the market value of the Shares

The Company, and the current shareholders of the Company are expected to agree that, subject to certain exceptions, they will not, without the prior written consent of the Joint Bookrunners, issue, offer or sell any ordinary shares of the Company or securities convertible or exchangeable into ordinary shares of the Company for a period of 180 days following the date of admission of Shares to trading on the BSE, as described in chapter "*Subscription and Sale*". Following the expiration of these lock-up provisions, future sales of the Shares could be made by the current shareholders of the Company or by the Company. If the Company were to raise funds through additional equity offerings, this could cause dilution for its shareholders to the extent they do not participate. Moreover, sales of a substantial number of Shares by any such party or parties to the Placement Agreement, or the perception that such sales could occur, could adversely affect the market price of the Shares.

Due to a gap of five days between the pricing and the prospective first date of trading in the shares, the initial trading price may be lower than the Final Offer Price

The Final Offer Price will be published at the latest on the Business Day following the Allocation Date. However, provided that the Company's application for admission to trading on the spot regulated market operated by the BSE is approved immediately, the Shares are expected to start trading five days after the Allocation Date. As a result, investors will not be able to sell or otherwise deal in the Company's shares during that period, and thus will be subject to the risk that the market price of the Shares could fall below the Final Offer Price as trading begins, as a result of various factors, among which adverse market conditions and adverse developments in the Group's business.

Financing subscriptions in Offered Shares may create a misleading appearance with respect to interest in the Offering

Investors are entitled to show as evidence for the payment of the price for the subscribed Offered Shares inter alia the settlement commitment statement issued by a Manager or an affiliate thereof. Under such settlement commitment, a manager of an offering or its affiliate undertakes the responsibility for the settlement of the trade in the subscribed offered shares. Such settlement commitments are regulated by the FSA and the FSA imposed certain limitations thereto, including with respect to the total amount of commitments that may be issued by reference to the investment firm's equity. Also, the settlement risk may be guaranteed by bank guaranteed letters issued by any EU credit institution or investors may take bank loans to subscribe in the offered shares.

The precedents of public offerings of securities in Romania where these financing tools were used showed that, for the retail tranche of the offering, they had the effect of distorting the actual interest of investors in subscribing in the offered shares. Anticipating an oversubscription on the tranche, usually investors would top-up their initial subscription with additional subscriptions by using the financing products offered by investment firms/credit institutions, in order to avoid getting diluted during allocation, as a result of the oversubscription. In the past, this practice has resulted in the retail tranche being significantly oversubscribed, without investors actually intending to acquire the number of shares for which they have subscribed. Such practice may create an artificial and misleading appearance with respect to the investor interest in the Offering and may have an adverse effect on the Share price or on the actual investor interest in the Shares in the secondary market.

There is no central counterparty for the spot market in Romania

The Romanian CSD acts as agent in the settlement of the financial instruments traded on the BSE and, in that capacity, implements measures and procedures to mitigate the risk of settlement failure. The settlement guarantee measures instituted by the Romanian CSD are not sufficient to fully ensure the timely settlement in the event a participant with a large payment obligation is unable to settle, due to the inadequate size of the guarantee fund and of the settlement limit.

Furthermore, the settlement of the transactions related to a public offering of securities is not covered by the Settlement Guarantee Fund.

A central counterparty clearing house ("**CCP**") is an entity whose purpose is to reduce settlement risk. A CCP becomes the counterparty to the buyer and the seller and guarantees the terms of a trade when a party defaults. The CCP collects money from each buyer and seller to cover potential losses incurred in case of failure to comply with the terms of the agreement, resulting in the CCP replacing the trade at the current market price. To date, there is no CCP established in Romania to manage the counterparty risk.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are not historical facts and are "**forward-looking**" within the meaning of Section 27A of the Securities Act and Section 21E of the US Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). This Prospectus includes forward-looking statements, which include, without limitation, any statements preceded by, followed by or that include words "**may**", "**will**", "**would**", "**should**", "**expect**", "**intend**", "**estimate**", "**forecast**", "**anticipate**", "**project**", "**believe**", "**seek**", "**plan**", "**predict**", "**continue**", "**commit**", "**undertake**", "**on-going**", "**potential**", "**target**", "**should**" and similar expressions or their negatives. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause its actual results, performance or achievements to be materially different from future results, performance or achievements expressed in or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which it will operate in the future. Among the important factors that could cause the Group's actual results, performance or achievements to differ materially from those expressed in such forward-looking statements are those in "*Operating and Financial Review*", "*Business*", "*Risk Factors*" and elsewhere in this Prospectus. These factors include, but are not limited to:

- Impact of certain laws, regulations and standards and the interpretation or application thereof;
- Changes in the Romanian food services market and in economic conditions in general;
- Changes in market expectations of the Group;
- Risks resulting from currency fluctuations;
- Interest rate increases;
- Risks from changes/volatility in raw materials;
- Failure to meet product quality standards;
- Potential of operational incidents;
- Government intervention and changes in regulation;
- Changes in taxes and fees imposed on the Group's operations;
- Failure to successfully implement management's business strategy;
- Political, legal and economic uncertainty in Romania and other developing markets; and
- Entrance of new competitors on the markets on which the Group currently operates.

The above list of important factors is not exhaustive. New risks can emerge from time to time, and it is not possible to predict all such risks, nor can the Company assess the impact of all such risks on its business or the extent to which any risks, or combination of risks and other variables, may cause actual results to differ materially from those contained in any forward-looking statements. When reviewing forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Forward-looking statements contained in this Prospectus speak only as at the date of this Prospectus. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any of such statements are based, unless required to do so by any applicable regulatory regime.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company is incorporated under the laws of Romania. Certain members of the Company's BoD and managers are residents of Romania and certain entities referred to herein are organised under the laws of Romania. All or a substantial portion of the assets of such persons and entities are located in Romania. As a result, it may not be possible for investors to:

- effect service of process within the United States or countries other than Romania upon any of the Company's members of the BoD and managers named in this Prospectus; or
- enforce, in the United States or countries other than Romania, judgments obtained in courts of the United States or such other countries against the Company or any of its BoD members and managers named in this Prospectus in any action.

In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the United States, liabilities predicated upon US securities laws.

Furthermore, the United States and Romania have not entered into treaties providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. A final and conclusive judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon US federal securities laws, would not automatically be recognised or enforceable in Romania.

A judgment of a court of law of a non-EU member state made *in personam* for a certain sum, which is not impeachable as void or voidable under the internal laws of the foreign jurisdiction (a "**Non-EU Judgment**") would be recognised in Romania, **provided that**: (a) the Non-EU Judgment is final (RO: *hotarare definitivă*) according to the law of the state where it was given; (b) the court rendering such Non-EU Judgment had, according to *lex fori*, jurisdiction to try the relevant litigation, but without relying exclusively on the presence in that jurisdiction of the defendant or of some of its assets which are not directly connected with that litigation; (c) there is reciprocity regarding the effects of foreign judgments between Romania and the foreign jurisdiction which rendered the Non-EU Judgment whose recognition is sought; (d) when given in default of appearance, the party who lost the trial was served in due course with the summoning for appearance for the hearing where the court tried the merits of the case and with the document which instituted the proceedings, was given the possibility to defend itself and was given the possibility to challenge the Non-EU Judgment. The recognition of a Non-EU Judgment may be rejected in any of the following cases: (a) the Non-EU Judgment is manifestly inconsistent with or contrary to public order of Romanian international private law; (b) the Non-EU Judgment is rendered in an area of law where persons cannot dispose freely of their rights and it was obtained exclusively for the purpose of withholding the matter from the incidence of the law that would otherwise be applicable pursuant to Romanian conflict of law rules; (c) the action or proceeding involving the same parties resulted in a judgment (even if not final) of the Romanian courts or is pending before Romanian courts as at the date the action or proceeding commenced before the foreign court which rendered the Non-EU Judgment; (d) the Non-EU Judgment is irreconcilable with a prior foreign judgment which may be recognised in Romania; (e) Romanian courts had exclusive jurisdiction to try the subject matter of the Non-EU Judgment pursuant to Romanian civil procedure laws; (f) the right of defence was breached; and (g) the Non-EU Judgment may be challenged in any other manner in the state where it was rendered. The application for recognition before Romanian courts should be made according to Romanian procedural rules and should enclose all the documentation thereby required. Additionally, the recognition of the Non-EU Judgment may not be refused solely for the reason that the foreign court rendering the Non-EU Judgment applied a law other than the law that would have been applicable according to Romanian conflict of law rules, except where the trial concerns the civil status and the capacity of a Romanian citizen and the solution adopted by the court differs from the solution that would have been reached according to the Romanian law.

A Non-EU Judgment can be enforced in Romania based on a final decision of a Romanian competent court approving the enforcement, only if: (i) the requirements mentioned above for the recognition in Romania of Non-EU Judgments are met; (ii) the Non-EU Judgment is enforceable according to the law of the jurisdiction where it was rendered; (iii) where the Non-EU Judgment establishes an obligation arising from a foreign fiscal law, there is reciprocity with respect to the effects of foreign judgments in the relevant fiscal matter between Romania and the foreign jurisdiction which rendered the Non-EU Judgment; (iv) arguably, the right to require enforcement is not time barred according to the statute of limitation provisions (RO: *prescriptia dreptului de a cere executarea silita*) of the Romanian law; and (v) the application for enforcement before Romanian courts is duly made according to the Romanian procedural rules and encloses all the documentation thereby required.

A court judgment rendered in an EU member state other than Romania (an "**EU Judgment**") is recognised in Romania by operation of law without any special procedure. Such recognition is rejected upon the request of any interested parties in the following circumstances: (a) such recognition is manifestly contrary to public order in Romania; (b) where the EU Judgment was given in default of appearance, if the defendant was not served with the document which instituted the proceedings or with an equivalent document in sufficient time and in such a way as to enable him to arrange for his defence, unless the defendant failed to commence proceedings to challenge the judgment when it was possible for him to do so; (c) it is irreconcilable with a judgment given in a dispute between the same parties in Romania; (d) it is irreconcilable with an earlier judgment given in a EU member state (other than Romania) or in a third state involving the same cause of action and between the same parties, **provided that** the earlier judgment fulfils the conditions necessary for its recognition in Romania; and (e) the EU Judgment conflicts with the provisions of Council Regulation (EU) no. 1215/2012 of the European Parliament and of the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("**Regulation no. 1215/2012**") in respect of jurisdiction in matters relating to insurance, jurisdiction over consumer contracts and individual employment contracts and exclusive jurisdiction.

An EU Judgment can be enforced in Romania pursuant to Regulation no. 1215/2012 without any decision of a Romanian competent court approving the enforcement being necessary only if: (i) it is enforceable in the EU member state where the EU Judgment was rendered; (ii) the Romanian competent court is provided with a copy of the EU Judgment which satisfies the conditions necessary to establish its authenticity; (iii) the Romanian competent court is provided with an original certificate issued by the relevant EU member state's court in the form set out in Annex I of Regulation no. 1215/2012 and none of the conditions above preventing the recognition of an EU Judgment is satisfied; (iv) where the EU Judgment orders a periodic payment by way of penalty, (including, but not limited to, default interest), the amount of the payment has been finally determined by the courts of the EU member state of origin; and (v) enforcement is made under the same conditions as a judgment given in Romania.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Incorporation of Certain Information by Reference

No information is incorporated by reference in this Prospectus.

Financial and Operating Information

Financial statements of the Group

The Company was incorporated in May 2017 and consequently no annual separate financial statements are available for the Company as at the date of this Prospectus.

On 30 May 2017 the Company acquired shares in USFN (Romania) and in ARS (Romania), by way of contribution of the respective shares to the share capital of the Company (for more detail on the acquisition, please see "Description of share capital and corporate structure"). The consolidated financial statements of the Group have been prepared in accordance with the requirements of IFRS 3 (Combination of enterprises) and in particular the application guidelines set out in Annex B thereto, in order to determine the acquirer. USFN (Romania) has been identified as the acquirer (given that the size of the USFN (Romania) business is significantly larger than that of the Company or of ARS (Romania)). As a result, although the Company was legally incorporated only in May 2017, its IFRS consolidated financial statements are a continuation of the consolidated financial statements of USFN (Romania), thus the consolidated financial statements of USFN (Romania) represent the historical information for the Company.

At the same time, given the significance of the acquisition of ARS (Romania) for an accurate and comprehensive description of the Group's financial position and performance, we believe it is also highly relevant to present the historical financial information of ARS (Romania) in this Prospectus.

Therefore, we have included and analysed in this Prospectus, particularly in the "*Business*" and in the "*Operating and Financial review*" chapters, historical information derived from the following financial statements:

- US Food Network S.A. Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union for the years ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively, audited (hereinafter, "**USFN (Romania) Annual Financial Statements**");
- American Restaurant System S.A. Financial Statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union for the years ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively, audited (hereinafter, "**ARS (Romania) Annual Financial Statements**");
- American Restaurant System S.A. Interim Financial Statements prepared in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union (EU) (IAS 34) for the six months ended 30 June 2017, unaudited (hereinafter, "**ARS (Romania) Interim Financial Statements**"; and
- Sphera Franchise Group S.A. Interim Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union (EU) (IAS 34) for the six months ended 30 June 2017, unaudited (hereinafter, "**Sphera Interim Financial Statements**").

USFN (Romania) Annual Financial Statements, ARS (Romania) Annual Financial Statements, ARS (Romania) Interim Financial Statements and Sphera Interim Financial Statements are hereinafter referred to collectively as "**Group Financial Statements**". The Group Financial Statements are presented in Romanian Leu.

Pro forma Financial Information

Where indicated, the Prospectus includes pro forma consolidated financial information of Sphera for the periods from 1 January 2014 to 31 December 2014, 1 January 2015 to 31 December 2015, 1 January 2016 to 31 December 2016, and 1 January 2017 to 30 June 2017, respectively, ("**Pro Forma Financial Information**") compiled in compliance with the accounting policies of the Group with the purpose of illustrating the consolidated operational performance of the Group, as if the incorporation of the Company and the contribution of USFN

(Romania) shares and of ARS (Romania) shares to the Company's share capital took place on 1 January 2014, 1 January 2015, 1 January 2016 and 1 January 2017, respectively.

The Pro Forma Financial Information for the periods from 1 January 2014 to 31 December 2014, 1 January 2015 to 31 December 2015, 1 January 2016 to 31 December 2016 has been derived from the USFN (Romania) Annual Financial Statements and, respectively, the ARS (Romania) Annual Financial Statements, adjusted for the applicable pro forma adjustments related to (i) the reclassification of discontinued operations of ARS (Romania) relating to transactions with USFN (Romania) to continuing operations, (ii) elimination of intercompany transactions and (iii) purchase price allocation adjustments, as further explained into the Note "3. Basis of preparation of the pro forma consolidated financial information" to Pro Forma Financial Information.

The Pro Forma Financial Information for the period from 1 January 2017 to 30 June 2017 has been derived from the Sphera Interim Financial Statements, adjusted for the applicable pro forma adjustments related to (i) adding the ARS (Romania) statement of comprehensive income for the period 1 January 2017 - 31 May 2017, which has been derived from the ARS (Romania) Interim Financial Statements, (ii) elimination of intercompany transactions and (iii) purchase price allocation adjustments, as further explained into the Note "3. Basis of preparation of the pro forma consolidated financial information" to Pro Forma Financial Information.

Pro forma Financial Information are presented in Romanian Leu.

We believe that the presentation of pro forma consolidated financial information of Sphera for the periods from 1 January 2014 to 31 December 2014 and from 1 January 2015 to 31 December 2015 in the Prospectus is highly relevant to the potential investors for the following reasons:

- The effect of the acquisition of ARS (Romania) is material for 2014 and 2015 financial years, particularly with respect to the revenues from our core business;
- Lack of comparative data on an aggregated basis for 2014 and 2015 will burden the investors' understanding of the real dynamics of Sphera's performance for the past three years and consequently the analysis of the financial and operational performance for the current year; and
- Although USFN (Romania) and ARS (Romania) are not under "common control" from IFRS perspective, USFN (Romania) and ARS (Romania) have been managed together since 2012, as an integrated group of companies, with identical shareholding structure and preponderantly the same management team.

The independent auditor of the Company has issued reports in compliance with the Prospectus Regulation for the compilation of the Pro forma Financial Information, as indicated in the reports drawn up by the independent auditor, and included in this Prospectus. The preparation and presentation of the Pro forma Financial Information for the periods from 1 January 2014 to 31 December 2014 and from 1 January 2015 to 31 December 2015 was authorized by the Financial Supervisory Authority in a letter dated 11 August 2017.

Non-IFRS measures

The Company presents non-IFRS measures because it believes that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company's operating results as reported under IFRS-EU.

Certain parts of this Prospectus contain references to EBITDA and like-for-like sales. We compute EBITDA by adding back to our consolidated operating profit or loss the expenses with depreciation, amortization and impairment of property, plant and equipment and intangible assets and by adding back or deducting any significant one-off items. We compute like-for-like sales by taking into account the restaurant sales only for the restaurants that have been in uninterrupted operation from the beginning of the preceding year until the end of the current year/period.

EBITDA, and like-for-like sales are not measures of performance under IFRS-EU and should not be considered by prospective investors as an alternative to (a) net profit/(loss) as a measure of operating performance; or (b) any other measure of performance under IFRS-EU. We believe that EBITDA provides a useful indication of the Group's cash flow generation capacity that disregards temporary variations in the working capital. We believe that like-for-like sales provide a useful indication of the underlying performance of the Group's operations because it helps isolate and understand growth catalysts, as it eliminates the effect of new store openings and of acquisitions.

Since EBITDA and like-for-like sales are not measures of performance under IFRS-EU, not all companies may calculate these measures on a consistent basis and our presentation of EBITDA, and like-for-like sales may not be comparable to measures used by other companies under the same or similar names. Accordingly, undue reliance should not be placed on the EBITDA, and on like-for-like sales contained in this Prospectus. We encourage you to evaluate these items and the limitations for purposes of analysis in excluding them.

Unaudited operating information

The Group's unaudited operating information in relation to its business is derived from the following sources: (i) internal operating records of each member of the Group; (ii) accounting systems (based on invoices issued and/or received); (iii) internal reporting systems supporting the preparation of financial statements; (iv) management assumptions and analyses; and (v) discussions with key operating personnel. Operating information derived from management accounts or internal reporting systems in relations to the Group's business is to be found principally in "*Operating and Financial Review*" and "*Business*".

Abbreviations

The following abbreviations of operating data have the following meanings as used in this Prospectus:

Sqm	Square meter
CAGR	Compound annual growth rate, being the geometrical average annual growth rate over a specified period of time longer than one year

Miscellaneous

Market information

Market data used in this Prospectus under in chapters "*Summary*", "*Risk Factors*", "*Operating and Financial Review*", "*Foodservice Sector*" and "*Business*" have been extracted from official and industry sources and other sources the Company believes to be reliable. Sources of such information, data and statistics include: reports, press releases and other official documentation issued or adopted by European Commission, National Bank of Romania, World Economic Forum, Romanian National Statistics Institute, Financial Supervisory Authority, Euromonitor International Limited, Kantar Millward Brown, and Deloitte Consultanta S.R.L.. The third party sources the Company has used generally state that the information they contain has been obtained from sources believed to be reliable. These third-party sources also state, however, that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As the Company does not have access to the facts and assumptions underlying such market data, or statistical information and economic indicators contained in these third-party sources, the Company is unable to verify such information. Thus while such information, data and statistics have been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published or provided by the aforementioned sources, no facts have been omitted which would render the reproduced information, data and statistics inaccurate or misleading, the Company cannot guarantee its overall accuracy or completeness.

Deloitte Consultanta S.R.L. has prepared at the request of the Company a market analysis, based on publicly available information ("**Deloitte Analysis**"). The Deloitte Analysis is part of a larger market study report, which has been prepared for the internal use of the Company. Deloitte Consultanta S.R.L. has given and maintained its written consent to inclusion in this Prospectus of the information contained in the Deloitte Analysis, in the form and under context that supported inclusion thereof in the Prospectus, and approved the content of such information, for the purpose of item 23.1 of Annex I of the Prospectus Regulation. Deloitte Consultanta S.R.L. is a limited liability company, organised and functioning under Romanian law, with registered seat in Romania, Bucharest, 4-8 Nicolae Titulescu str., floor 2 Deloitte Area and floor 3, registered with the Bucharest Trade Registry under no. J40/8360/1992, with sole registration code 2626460. Deloitte Consultanta S.R.L. has acted in accordance with its contract concluded with Sphera and has no responsibility to any other party for the Deloitte Analysis, but only to its client in accordance with the contract between the parties.

Information in this Prospectus on the Romanian Foodservice market is from independent market research carried out by Euromonitor International Limited ("**Euromonitor**") but should not be relied upon in making, or refraining from making, any investment decision.

In addition, certain information in this Prospectus is not based on published data obtained from independent third parties or extrapolations therefrom, but rather is based upon the Company's best estimates, which are in turn based upon information obtained from trade and business organizations and associations, consultants and other contacts within the industries in which the Company competes, information published by competitors, and the Company's own experience and knowledge of conditions and trends in the markets in which it operates. The Company cannot assure you that any of the assumptions that it has made while compiling this data from third party sources are accurate or correctly reflect the Company's position in the industry and none of our internal estimates has been verified by any independent sources. None of the Company, the Selling Shareholders or the Managers makes any representation or warrants as to the accuracy or completeness of this information. None of the Company, the Selling Shareholders or the Managers has independently verified this information and, while the Company believes it to be reliable, none of the Company, the Selling Shareholders or the Managers can guarantee its accuracy. The Company declares that all third-party data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Countries

In this Prospectus, all references to "**US**" or to "**United States**" are to the United States of America, all references to the "**EU**" are to the European Union and its member states as of the date of this Prospectus, and all references to the "**EEA**" are to the European Economic Area and its member states as of the date of this Prospectus.

Currencies

In this Prospectus, all references to "**RON**" and "**Leu**" are to the lawful currency of Romania, all references to "**€**", "**EUR**" and "**euro**" are to the lawful currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, all references to "**US$**", "**$**", "**US dollar**", "**USD**" and "**dollar**" are to the lawful currency of the United States, and all references to "**MDL**" are to the lawful currency of the Republic of Moldova.

Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures that precede them.

References to the Company

In this Prospectus, the "**Company**" and "**Sphera**" refer to Sphera Franchise Group S.A., and the terms "**we**", "**us**", "**our**", and the "**Group**" refer to Sphera Franchise Group S.A. and its consolidated subsidiaries, taken as a whole, unless the context otherwise requires.

Legal references

Except where expressly mentioned otherwise, a reference in this Prospectus to a legal provision is considered a reference to the respective provision as it was amended and/or republished and in force as at the date of this Prospectus.

EXCHANGE RATE INFORMATION

The following tables show, for the periods and dates indicated, information relating to the exchange rates between the Romanian Leu and the US dollar, based on information derived from the NBR. The columns titled "Average" in the tables below show the annual average rate calculated as average of the average monthly rates for the respective periods.

Years ended 31 December	High	Low	Average	Period end
	(RON per USD)			
2014	3.6885	3.1799	3.3492	3.6868
2015	4.2220	3.7742	4.0057	4.1477
2016	4.3504	3.8697	4.0592	4.3033

Source: NBR.

Six-month period ended 30 June	High	Low	Average	Period end
	(RON per USD)			
2016	4.2141	4.2141	4.2141	4.2141
2017	4.3408	4.3408	4.3408	4.3408

Source: NBR.

The following tables show, for the periods indicated, information relating to the exchange rates between the Romanian Leu and the EUR, based on information derived from the NBR. The columns titled "Average" in the tables below show the annual average rate calculated as average of the average monthly rates for the respective periods.

Years ended 31 December	High	Low	Average	Period end
	(RON per EUR)			
2014	4.5447	4.5447	4.5447	4.5447
2015	4.5381	4.5381	4.5381	4.5381
2016	4.5411	4.5411	4.5411	4.5411

Source: NBR.

Six-month period ended 30 June	High	Low	Average	Period end
	(RON per EUR)			
2016	4.5396	4.5396	4.5396	4.5396
2017	4.5987	4.5987	4.5987	4.5987

Source: NBR.

The Company makes no representation that the Romanian Leu amounts referred to in this Prospectus could have been or could be converted into any currency at the above exchange rates, at any other rate or at all.

THE OFFERING

The Company	Sphera Franchise Group S.A.
The Selling Shareholders	Lunic Franchising and Consulting Ltd and M.B.L. Computers S.R.L.
The Offering	The Offering comprises an offering by the Selling Shareholders of up to 9,831,753 Shares. The Offering is structured as an offering of the Offered Shares: (1) in Romania to the public; and (2) outside the United States of America and outside Romania to non-US institutional investors in "offshore transactions" as defined in, and as permitted by, Regulation S under the U.S. Securities Act of 1933, as amended
Sole Global Coordinator and Joint Bookrunner	Wood & Company Financial Services a.s.
Joint Bookrunner	Raiffeisen Bank S.A.
Co-Lead Manager	Alpha Finance Romania S.A.
Offering Tranches	The Offering is split into two tranches (the "**Offer Tranches**") as follows: 1. 15% of the Offered Shares (1,474,763 Offered Shares) will be initially offered to Retail Investors (as defined below) (the "**Retail Tranche**"); and 2. The remaining Offered Shares (8,356,990 Offered Shares) will be offered to Institutional Investors (as defined below) (the "**Institutional Tranche**"). The split of the Offered Shares in the Retail Tranche between the Selling Shareholders is: 1,300,166 Shares from Lunic (Cyprus) and 174,597 Shares from MBL (Romania) and the split of the Offered Shares in the Institutional Tranche between the Selling Shareholders is: 7,367,607 Shares from Lunic (Cyprus) and 989,383 Shares from MBL (Romania). The final size of each Offer Tranche will be determined by the Selling Shareholders, in agreement with the Joint Bookrunners, based on the volume and price of subscriptions from investors, on the Allocation Date • "Institutional Investors" means qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive as implemented by Article 2 (21) of the Issuers and Markets Operations Law; and • "Retail Investors" means any individual or legal entity who does not meet the above criteria to qualify as an Institutional Investor.
Offered Shares	Up to 9,831,753 Shares, nominative, ordinary, issued in registered (book entry) form offered by the Selling Shareholder as follows: • Up to 8,667,773 Shares offered by Lunic (Cyprus); • Up to 1,163,980 Shares offered by MBL (Romania). All Shares have been created under, and conform to, Romanian law.
Offer Period	8 (eight) Business Days, from and including 24 October 2017 to and including 2 November 2017.
Allocation Date	2 November 2017.
Successful Closing	The successful closing of the Offering will be subject, *inter alia*, to the determination of the Final Offer Price and each of the Company's, the Selling Shareholders' and the Joint Bookrunners' decisions to proceed with the Offering. It will also be subject to the satisfaction of conditions contained in the Placement Agreement and to the Placement Agreement not having been terminated.
Price Range	From RON 25 per Offered Share to RON 33 per Offered Share.
Final Offer Price	The Final Offer Price shall be determined in RON at the latest on the Business Day following the Allocation Date. See "*Subscription and Sale*".
Intermediation method	Best efforts.
Distribution Group	Units of the distribution network of Raiffeisen Bank S.A., as identified in Appendix 1 (*Distribution Network of Raiffeisen Bank S.A.*) to this Prospectus.

Shareholders registry	The shareholders' registry is currently kept by the Company's BoD. Once the Shares are admitted to trading on the BSE, the function of the shareholders' registry will be held by the Romanian CSD (Depozitarul Central S.A., with the registered office in 34-36 Bulevardul Carol I, 3rd, 8th and 9th floors, District 2, postal code 020922, Bucharest, Romania).
Listing and Trading	Application will be made to the BSE for the admission of Shares to trading on the spot regulated market operated by it, in premium tier. The BSE is a regulated market for the purposes of the Directive on Markets in Financial Instruments. The security identification numbers and trading symbols of the Shares are (expected to be) as follows: ISIN: ROSFGPACNOR4; CFI: ESVUFR; LEI: 315700GSVZ0HSS7J1457; BSE Share trading symbol: SFG.
Settlement and Transfer	Payment for the Offered Shares is expected to be made in RON through RoClear (Romanian Clearing Settlement, Custody, Depository and Registration System), which is managed by the Romanian CSD. Transfers of Shares within the Offering and secondary market sales of Shares will be settled and cleared through the settlement system managed by the Romanian CSD, in accordance with applicable Romanian regulations.
Stabilising Managers	Wood & Company Financial Services a.s. and Raiffeisen Bank S.A.
Stabilisation	In connection with the Offering, the Stabilising Managers (or persons acting on behalf of them) may (but will be under no obligation to), to the extent permitted by applicable law, effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in an open market for a limited period. However, there is no assurance that the Stabilising Managers (or persons acting on behalf of them) will undertake stabilisation action. Any stabilisation action in respect of Shares may begin on the date of commencement of trading of the Shares on the BSE and, if begun, may be ended at any time but not later than 30 calendar days thereafter (the "**Stabilisation Period**"). Any stabilisation action must be undertaken in accordance with applicable laws and regulations. Save as required by law or regulation, the Stabilising Managers do not intend to disclose the extent of any stabilisation transactions concluded in relation to the Offering. In connection with the Offering, the Selling Shareholders have agreed that the Stabilising Managers will retain 10% of the gross proceeds obtained by the Selling Shareholders from the Offering (the "**Stabilisation Proceeds**") and will use such Stabilisation Proceeds for the purposes of conducting stabilisation activities, if any, in the Shares, during the Stabilisation Period. The Selling Shareholders anticipate that in connection with the Offering the Stabilising Managers will have the right to acquire not more than 983,175 Shares on the regular market of the BSE in order to stabilise the price of the Shares at a level higher than that which may otherwise prevail if stabilisation actions were not taken. In the context of Stabilisation, the Selling Shareholders have agreed to grant to the Stabilising Managers a put option according to which a number of up to 983,175 Shares shall be transferred to the Selling Shareholders by the Stabilising Managers but not more than the actual number of Shares bought by the Stabilising Managers on the BSE for the Stabilisation purposes. For more details, please see section "*Stabilisation*" from "*Subscription and sale*" chapter of the Prospectus.

Lock-Up	The Company will agree with the Managers in the Placement Agreement to be executed on or about the date of the Prospectus that it will not, and each of the Company's BoD members will ensure that the Company will not, without the prior written consent of the Sole Global Co-ordinator (on behalf of and after consultation with the Managers), not to be unreasonably withheld, for a period of 180 days from the admission of Shares to trading on the BSE or (if admission does not become effective on that date) at such other date (being the date on which admission does become effective) as the Company and the Joint Bookrunners may agree in writing (the "**Company Lock Up Period**"), directly or indirectly: (a) issue, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any interest in Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or any interest in Shares or file any registration statement under the Issuers and Markets Operations Law or file or publish any prospectus with respect to any of the foregoing; or (b) enter into any swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such swap or transaction described in (a) or (b) is to be settled by delivery of the Shares or such other securities, in cash or otherwise. The lock up restrictions do not apply to any purchase by the Company of Shares and subsequently to the allocation/transfer of the Shares so acquired to its BoD members and/or its managers, in each case under any share incentive plan the Company may decide to implement. Also, the current shareholders of the Company will agree with the Managers, acting severally and not jointly, that none of them, nor any person acting on their behalf will, without the prior written consent of the Sole Global Co-ordinator (on behalf of and after consultation with the Managers), not to be unreasonably withheld, for a period of 180 days from the admission of the Shares to trading on the BSE or (if admission does not become effective on that date) at such other date (being the date on which admission does become effective) as the Company and the Joint Bookrunners may agree in writing (the "**Selling Shareholders Lock Up Period**"), directly or indirectly: (a) offer, sell, lend, assign, mortgage, pledge, charge, contract to sell or otherwise transfer or dispose of (or publicly announce any such action), directly or indirectly, any Shares, other equity securities of the Company or any securities convertible or exchangeable into or exercisable for any equity securities of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary receipts representing the right to receive any such securities; or (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any equity securities of the Company or enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to enter into any transaction described above, whether any such transaction described in (a) or (b) is to be settled by delivery of Shares or such other securities, in cash or otherwise.
Use of Proceeds	The Company will not receive any proceeds from the Offering. The Offering is being conducted in order to allow the Selling Shareholders to dispose of a portion of their shareholdings, while raising Sphera’s profile with the international investment community and establishing a market for the Shares, which may benefit Sphera if it desires to access the equity markets in the future.
Taxation	For a discussion of certain Romanian tax consequences of purchasing and holding the Shares, see "*Taxation*".

Dividend Policy	Under the current legislation and in accordance with the Company's articles of association, each fully paid Share gives its owner (other than the Company) the right to receive dividends. Dividends are distributed to the shareholders on a pro-rata basis proportionately to their participation in the paid-up share capital of the Company. In absence of exceptional market conditions or circumstances, for future years the BoD intends to recommend to the OGSM that the Company distributes 100% of its distributable profits each year, subject to any restrictions due to Romanian legal and taxation regulation, e.g. the allocation of an amount of at least 5% of the annual profit to a legal reserve until the reserve equals at least 20% of the Company's share capital. Furthermore, the BoD may from time to time propose to the GSM cash distributions by way of restitution of capital to the shareholders, if it finds that such distribution is appropriate and sustainable in the context of the Group's growth strategy and provided that such distribution may be carried out in compliance with the applicable law. See "*Dividend Policy*" and "*Description of Share Capital and Corporate Structure*".
Voting Rights	Each Share carries one vote for the purposes of shareholder meetings. See "*Description of Share Capital and Corporate Structure*".
Selling and Transfer Restrictions	The Shares will be freely transferable, subject to certain restrictions as described under "*Selling and Transfer Restrictions*".
Risk Factors	Investors should consider carefully certain risks discussed under "*Risk Factors*".

USE OF PROCEEDS

The Company will not receive any proceeds from the Offering.

The estimated gross income obtained by the Selling Shareholders from the sale of the Offered Shares in the Offering will be of approximately RON 324,447,849 (assuming that all Offered Shares will be sold at the maximum price of the Price Range and no proceeds will be used for stabilisation activities).

The total estimated net proceeds obtained by the Selling Shareholders from the sale of the Offered Shares in the Offering, after deduction of all fees and charges incurred with the Offering, will be of approximately RON 311,014,220 (assuming that all Offered Shares will be sold at the maximum price of the Price Range and no proceeds will be used for stabilisation activities).

The total estimated fees and charges payable by the Selling Shareholders in connection with the Offering are expected to be in the range of RON 13,433,629 (assuming that all Offered Shares will be sold at the maximum price of the Price Range).

The total fees and charges payable by the Company in connection with the Offering are expected to be in the range of RON 424,769.

No commissions, fees or expenses in connection with the Offering will be charged to investors by the Company or by any Selling Shareholder. However, the investors shall be charged costs (if any) associated with opening and maintaining a securities account (unless such investor already has an account) and any brokerage commissions payable under any relevant agreements or pursuant to the regulations of the entity accepting such purchase orders.

The Offering is being conducted in order to allow the Selling Shareholders to dispose of a portion of their shareholdings, while raising Sphera’s profile with the international investment community and establishing a market for the Shares, which may benefit Sphera if it desires to access the equity markets in the future.

DIVIDEND POLICY

Shares owned by the Company's shareholders (other than treasury Shares owned by the Company) bear equal and full rights to dividends.

The GSM has the sole discretion to decide on the distribution of dividends based on the proposal of the BoD. Shareholders holding individually or collectively at least 5% of the voting rights may also request to add to the agenda of a GSM an item on the distribution of dividends, including the distribution quota. Dividends can only be distributed out of profits determined by law, based on and according to the annual financial statements approved by the GSM, pro rata with the contribution to the paid share capital. No interim dividends may be distributed.

Under Romanian law the Company must allocate an amount of at least 5% of its annual profit to a legal reserve until the reserve equals at least 20% of the Company’s share capital. The Company’s legal reserve currently does not meet this requirement nor will it meet the requirement at the time of the closing of the Offering. Accordingly, 5% of our annual profit will need to be allocated to the legal reserve until the minimum threshold is reached.

The GSM approving the annual financial statements establishes also the amount of the gross dividend per share to be paid to the entitled shareholder, as well as the payment process.

According to the Issuers and Markets Operations Law which will become applicable to the Company only after admission of the Shares to trading on the BSE, the GSM approving the distribution of dividends must also set the period during which the dividends will be paid to the entitled shareholders. The beginning of the payment period shall not be set later than 6 months from the date of the GSM. If the GSM does not decide on a dividend payment period, the dividends shall be payable within 30 days from the date of publication of the GSM resolution approving the payment of dividends in the Official Gazette of Romania. Upon expiry of such period, the Company would be deemed to be in payment default by operation of law.

Following the admission of Shares to trading on the spot regulated market operated by the BSE, payment of dividends shall be made to the shareholders registered in the shareholders' registry of the Company on the record date set by the GSM. The record date must be set on a date that occurs at least 10 business days after the date of the GSM. Furthermore, the payment date set by the GSM must not occur later than 15 business days after the record date, within the six months period from the date of the GSM approving dividend distribution.

Before the dividend payment date, the Company must issue a press release in a nationwide newspaper specifying at least: the gross amount of the dividend per share, the dividend *ex date*, the record date and the dividend payment date, as approved by the GSM, as well as the means by which the dividends will be paid and identification details of the paying agent.

Any dividends that are not claimed within three years from the date on which their payment becomes due may be retained by the Company.

The Company's ability to pay dividends is based, among other things, on the Company's future profits as recorded in its separate financial statements, which in turn depend on the distributable profits obtained by the Company's subsidiaries. It is worthwhile noting that the dividends are declared by the subsidiaries, if any (and included in the revenues of the Company) in the year subsequent to the year in which the profits of the subsidiaries are recorded. The dividends from the subsidiaries paid to the Company will then be distributed as profit, to the Company's shareholders, in the year subsequent to that when the subsidiaries pay such dividends, based on the OGSM resolution. Dividends (if any) may only be declared and paid from the current year’s statutory profit and accumulated profit from previous years, as recorded in the Company's annual financial statements as approved by OGSM on the basis of the BoD report. In determining the amount available for distribution as dividends, the current year’s statutory profit and accumulated profit from previous years will be adjusted to account for the creation of the required statutory reserves. In absence of exceptional market conditions or circumstances, for future years the BoD intends to recommend to the OGSM that the Company distributes 100% of its distributable profits each year, subject to any restrictions due to Romanian legal and taxation regulation. Furthermore, the BoD may from time to time propose to the GSM cash distributions by way of restitution of capital to the shareholders, if it finds that such distribution is appropriate and sustainable in the context of the Group's growth strategy and provided that such distribution may be carried out in compliance with the applicable law.

According to the Companies Law, a dividend distribution out of fictitious profits or from sources that cannot be distributed, in absence of annual financial statements or contrary to the relevant data included in the financial statements, is a criminal offence of which members of the board of directors, managers or the legal representatives of the Company may be held responsible. Furthermore, if the Company registers a loss in its net asset, the share capital must be replenished or reduced before any dividend distribution. Also, if the Company has accumulated losses, it may not pay dividends until the losses are offset.

The Company’s financial year begins on 1 January and ends on 31 December.

The distribution of dividends by the Company and by other Group companies is subject to restrictions included in the Group's loan facilities contracts. Please see a description of these restrictions in section "Material Contracts—Financing Facilities".

Since the Company was incorporated in 2017, no dividends have been paid to date.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the capitalization and indebtedness of the Company as at 30 September 2017. The following tables should be read in conjunction with "*Selected Financial and Operating Information*", "*Use of Proceeds*", "*Operating and Financial Review*", "*Business*" and the Group Financial Statements and the related notes thereto.

Total capitalization is calculated as the sum of total equity and interest-bearing loans and borrowings.

All data in RON thousand	**As at 30 September 2017**
Equity*	
Issued capital	581.990
Share premium	(520.557)
Retained earnings*	38.977
Foreign currency translation reserve*	(71)
Equity attributable to equity holders of the parent	**100.339**
Non-controlling interests*	3
Total equity*	**100.342**
Interest-bearing loans and borrowings	
Current debt	17.472
Non-current debt	33.560
Total Interest-bearing loans and borrowings	**51.032**
- of which: Unsecured portion of loans and borrowings	-
Total Capitalization	**151.374**

Source: Management data, unaudited.

**) The amounts for the retained earnings, foreign currency translation reserve and non-controlling interests from total equity are as of 30 June 2017 and do not include any changes that took place in the consolidated statement of comprehensive income during the 1 July – 30 September 2017 period.*

The management states that no material changes in the retained earnings, foreign currency translation reserve and non-controlling interest positions have occurred since 30 June 2017.

The following table sets forth net financial indebtedness of the Company as at 30 September 2017. Net debt is calculated as the difference between the interest-bearing loans and borrowing sand the cash and short-term deposits.

All data in RON thousand	**As at 30 September 2017**
Interest-bearing loans and borrowings	51.032
Cash and short-term deposits	42.436
Net debt	**8.596**

Source: Management data, unaudited.

The management of the Company declares that, as of 30 September 2017, the total value of interest-bearing liabilities was RON 51.0 million, the total value of its capitalization was RON 151.4 million, while the value of its net debt was RON 8.60 million.

There has been no significant change since 30 September 2017 in the capitalization of the Company.

The management of the Company is of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of publication of this Prospectus.

SELECTED FINANCIAL AND OPERATING INFORMATION

The summary historical financial and operating information for USFN (Romania) and for ARS (Romania) as of and for the years ended 31 December 2014, 2015 and 2016 and the summary historical financial and operating information for the Company as of and for the six months ended 30 June 2016 and 2017 has been derived from the Group Financial Statements included elsewhere in this Prospectus.

The summary financial and operating information should be read in conjunction with "Operating and Financial Review", "Presentation of Financial and Other Information", as well as with the Group Financial Statements and the notes thereto contained elsewhere in this Prospectus.

Summary of the consolidated statement of comprehensive income of USFN (Romania) and of Sphera

The following table presents the summary of the consolidated statement of comprehensive income of USFN (Romania) for the years ended 31 December 2014, 2015 and 2016, as well as of the consolidated statement of comprehensive income of Sphera for the six months ended 30 June 2016 and 2017.

	Year ended 31 December			Six months ended 30 June	
All data are in RON thousand unless otherwise stated	**2014**	**2015**	**2016**	**2016**	**2017**
				Unaudited	
Restaurant sales	**261,782**	**329,963**	**417,535**	**193,220**	**242,204**
Restaurant expenses	**215,352**	**264,693**	**339,314**	**156,197**	**197,650**
Food and materials	98,405	123,141	157,302	74,225	87,944
Payroll and employee benefits	40,400	50,513	69,577	30,623	43,430
Rent	20,366	22,544	27,498	12,984	17,001
Royalties	15,406	19,382	24,654	11,380	14,125
Advertising	13,187	16,715	20,736	8,457	11,724
Other operating expenses, net	19,350	24,565	30,313	14,330	18,474
Depreciation and amortization	8,238	7,833	9,234	4,198	4,952
Restaurant operating profit	**46,430**	**65,270**	**78,221**	**37,023**	**44,554**
General and administration expenses, net	15,299	16,132	22,975	10,625	15,832
Operating profit	**31,131**	**49,138**	**55,246**	**26,398**	**28,722**
Finance costs	978	531	825	978	440
Finance income	240	398	95	125	109
Profit before tax	**30,393**	**49,005**	**54,516**	**25,545**	**28,391**
Income tax expense/(credit)	4,528	7,251	5,783	3,315	1,189
Profit for the period	**25,865**	**41,754**	**48,733**	**22,230**	**27,202**
Attributable to:					
Equity holders of the parent	25,716	41,597	48,693	22,216	27,090
Non-controlling interests	149	157	40	14	112
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):	0	0	0	(21)	(30)
Exchange differences on translation of foreign operations	(10)	(92)	83		
Total comprehensive income for the period, net of tax	**25,855**	**41,662**	**48,816**	**22,209**	**27,172**
Attributable to:					
Equity holders of the parent	25,708	41,513	48,774	22,198	27,060
Non-controlling interests	147	149	42	11	112

Source: USFN (Romania) Annual Financial Statements; Sphera Interim Financial Statements, unaudited.

Summary of the consolidated statement of financial position of USFN (Romania) and of Sphera

The following table presents the summary of the consolidated statement of financial position of USFN (Romania) as of 31 December 2014, 2015 and 2016, as well as of the consolidated statement of financial position of Sphera as of 30 June 2017.

	31 December			30 June
All data are in RON thousand unless otherwise stated	**2014**	**2015**	**2016**	**2017**
				Unaudited
Assets				
Non-current assets	**41,658**	**45,562**	**54,246**	**143,055**
Property, plant and equipment	37,779	41,084	47,551	81,159
Intangible assets	3,765	4,298	6,365	60,475
Trade and other receivables				285
Deposits for rent guarantee	95	163	290	668
Deferred tax assets	19	17	40	468
Current assets	**38,275**	**55,497**	**65,399**	**51,769**
Inventories	4,161	5,717	5,744	7,458
Trade and other receivables	3,473	4,438	8,780	5,077
Prepayments	1,729	1,743	1,907	3,418
Cash and short-term deposits	28,912	43,599	48,968	35,816
Assets held for sale				195
Total assets	**79,933**	**101,059**	**119,645**	**195,019**
Equity and liabilities				
Total equity	**33,456**	**50,482**	**58,253**	**100,342**
Equity attributable to equity holders of the parent	**33,449**	**50,479**	**58,292**	**100,339**
Issued capital	190	190	190	581,990
Share premium				(520,557)
Other capital reserves	19	19	19	-
Retained earnings	33,278	50,392	58,124	38,977
Foreign currency translation reserve	(38)	(122)	(41)	(71)
Non-controlling interests	7	3	(39)	3
Non-current liabilities	**12,010**	**15,349**	**16,304**	**33,223**
Interest-bearing loans and borrowings	8,773	11,787	14,630	31,227
Trade and other payables	1,597	1,827	1,674	1,996
Deferred tax liabilities	1,640	1,735	-	
Current liabilities	**34,467**	**35,228**	**45,088**	**61,454**
Trade and other payables	27,950	28,594	37,292	45,650
Interest-bearing loans and borrowings	6,378	6,634	7,796	15,804
Provisions	139	-	-	
Total liabilities	**46,477**	**50,577**	**61,391**	**94,677**
Total equity and liabilities	**79,933**	**101,059**	**119,645**	**195,019**

Source: USFN (Romania) Annual Financial Statements; Sphera Interim Financial Statements, unaudited

Summary of the consolidated statement of cash flows of USFN (Romania) and of Sphera

The following table presents the summary of the consolidated statement of cash flows of USFN (Romania) for the years ended 31 December 2014, 2015 and 2016, as well as of the consolidated statement of cash flows of Sphera for the six months ended 30 June 2016 and 2017.

	Year ended 31 December			Six months ended 30 June	
All data are in RON thousand unless otherwise stated	**2014**	**2015**	**2016**	**2016** Unaudited	**2017**
Operating activities					
Profit before tax	30,393	49,005	54,516	25,545	28,391
Adjustments to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment	8,044	7,628	8,977	4,394	5,692
Amortisation and impairment of intangible assets	675	698	847	390	487
Net foreign exchange differences	(116)	181	60	(65)	(71)
Gain on disposal of property, plant and equipment	740	(10)	92	148	-
Finance income	(240)	(398)	(95)	(125)	(109)
Finance costs	555	424	536	332	395
Movement in current assets allowances	165	12	5		
Movements in provisions, pensions and government grants	(1,226)	(139)	0		
Working capital adjustments:					
Decrease/(Increase) in trade and other receivables and prepayments	(553)	(989)	(4,574)	835	4,794
Decrease/(Increase) in inventories	(652)	(1,570)	(27)	314	(516)
Increase/(Decrease) in trade and other payables	8,035	459	8,655	(2,933)	(5,281)
Interest received	192	342	31	125	109
Interest paid	(561)	(453)	(561)	(324)	(434)
Income tax paid	(3,452)	(6,698)	(7,619)	(4,078)	(1,848)
Net cash flows from operating activities	**41,999**	**48,491**	**60,843**	**24,558**	**31,609**
Investing activities					
Proceeds from sale of property, plant and equipment	2	27	0	8	-
Purchase of intangible assets	(430)	(1,246)	(2,916)	(1,573)	(1,132)
Purchase of property, plant and equipment	(4,108)	(10,935)	(15,536)	(6,294)	(14,596)
Acquisition of subsidiary, net of cash				-	2,161
Net cash flows used in investing activities	**(4,536)**	**(12,154)**	**(18,452)**	**(7,859)**	**(13,567)**
Financing activities					
Capital contribution from shareholders of Sphera on set up, net of transaction costs paid				-	1,151
Proceeds from borrowings	3,382	10,993	11,704	3,552	19,225
Repayment of borrowings	(7,531)	(7,730)	(7,480)	(3,678)	(5,051)
Payment of finance lease liabilities	(155)	(185)	(284)	(156)	(134)
Dividends paid to equity holders of the parent	(12,664)	(24,483)	(40,961)	(40,961)	(46,237)
Dividends paid to non-controlling interests	(133)	(153)	(84)	-	(70)
Net cash flows from/(used in) financing activities	**(17,101)**	**(21,558)**	**(37,105)**	**(41,263)**	**(31,116)**
Net increase/(decrease) in cash and cash equivalents	20,362	14,779	5,286	(24,564)	(13,074)
Net foreign exchange difference	(10)	(92)	83	(18)	(78)
Cash and cash equivalents at 1 January	8,560	28,912	43,599	43,599	48,968
Cash and cash equivalents at end of period	**28,912**	**43,599**	**48,968**	**19,017**	**35,816**

Source: USFN (Romania) Annual Financial Statements; Sphera Interim Financial Statements, unaudited

Summary of the statement of comprehensive income of ARS (Romania)

The following table presents the summary of the statement of comprehensive income of ARS (Romania) for the years ended 31 December 2014, 2015 and 2016, as well as for the six months ended 30 June 2016 and 2017.

	Year ended 31 December			Six months ended 30 June	
All data are in RON thousand unless otherwise stated	**2014**	**2015**	**2016**	**2016**	**2017**
				Unaudited	
Restaurant sales	**63,130**	**75,867**	**96,940**	**46,398**	**54,210**
Restaurant expenses	**51,952**	**59,962**	**82,329**	**37,684**	**46,486**
Food and materials	16,881	19,718	26,107	12,606	14,830
Payroll and employee benefits	12,001	14,622	22,383	9,608	13,690
Rent	6,081	6,476	8,027	3,672	4,692
Royalties	3,697	4,448	5,702	2,721	3,166
Advertising	3,590	4,245	5,785	2,727	2,973
Other operating expenses, net	7,514	8,339	11,659	5,234	5,386
Depreciation and amortization	2,188	2,114	2,666	1,116	1,749
Restaurant operating profit	**11,178**	**15,905**	**14,611**	**8,714**	**7,724**
General and administration expenses, net	6,094	7,751	8,982	4,338	5,732
Operating profit	**5,084**	**8,154**	**5,629**	**4,376**	**1,992**
Finance costs	309	482	213	81	187
Finance income	7	19	127	93	6
Profit before tax from continuing operations	**4,782**	**7,691**	**5,543**	**4,388**	**1,811**
Income tax expense	667	1,170	361	626	772
Profit for the period from continuing operations	**4,115**	**6,521**	**5,182**	**3,762**	**1,039**
Discontinued operations					
Profit/(loss) after tax for the year from discontinued operations	(595)	(397)	(1,953)	293	-
Profit for the period	**3,520**	**6,124**	**3,229**	**4,055**	**1,039**

Source: ARS (Romania) Annual Financial Statements; ARS (Romania) Interim Financial Statements, unaudited

Summary of the statement of financial position of ARS (Romania)

The following table presents the summary of the statement of financial position of ARS (Romania) as of 31 December 2014, 2015 and 2016, as well as of 30 June 2017.

	31 December			30 June
All data are in RON thousand unless otherwise stated	**2014**	**2015**	**2016**	**2017**
				Unaudited
Assets				
Non-current assets	**10,777**	**15,262**	**21,374**	**22,799**
Property, plant and equipment	9,653	13,265	18,201	19,511
Intangible assets	1,007	1,749	2,917	2,757
Trade and other receivables				285
Deposits for rent guarantee	117	248	256	246
Current assets	**14,806**	**18,562**	**11,612**	**6,225**
Inventories	6,986	6,758	1,111	1,206
Trade and other receivables	5,849	5,363	6,089	1,513
Prepayments	665	867	1,118	1,186
Cash and short-term deposits	1,306	5,574	3,294	2,320
Assets held for sale	0	0	195	195
Total assets	**25,583**	**33,824**	**33,181**	**29,219**
Equity and liabilities				
Total equity	**6,607**	**8,781**	**5,980**	**3,651**
Issued capital	1,644	1,644	1,644	1,644
Share premium	0	0	0	
Other capital reserves	21	21	21	21
Retained earnings	4,942	7,116	4,315	1,986

All data are in RON thousand unless otherwise stated	31 December 2014	2015	2016	30 June 2017 Unaudited
Non-current liabilities	**1,243**	**4,448**	**7,865**	**7,273**
Interest-bearing loans and borrowings	492	3,692	7,536	6,950
Trade and other payables	307	302	329	323
Deferred tax liabilities	444	454	0	
Current liabilities	**17,733**	**20,595**	**19,336**	**18,295**
Trade and other payables	16,298	18,477	15,401	13,967
Interest-bearing loans and borrowings	1,435	2,118	3,935	4,328
Total liabilities	**18,976**	**25,043**	**27,201**	**25,568**
Total equity and liabilities	**25,583**	**33,824**	**33,181**	**29,219**

Source: ARS (Romania) Annual Financial Statements; ARS (Romania) Interim Financial Statements, unaudited

Summary of the statement of cash flows of ARS (Romania)

The following table presents the summary of the statement of cash flows of ARS (Romania) for the years ended 31 December 2014, 2015 and 2016, as well as for the six months ended 30 June 2016 and 2017.

All data are in RON thousand unless otherwise stated	Year ended 31 December 2014	2015	2016	Six months ended 30 June 2016 Unaudited	2017
Operating activities					
Profit before tax from continuing operations	4,782	7,691	5,543	4,388	1,811
Profit/(loss) before tax from discontinued operations	(708)	(477)	(2,141)	349	-
Profit before tax	4,074	7,214	3,402	4,737	1,811
Adjustments to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment	2,268	2,208	2,862	1,294	1,609
Amortisation and impairment of intangible assets	202	210	323	147	207
Impairment allowance of property, plant and equipment	-	-	966		
Net foreign exchange differences	(129)	3	54	2	(8)
Gain on disposal of property, plant and equipment	391	(56)	115	6	(4)
Finance income	(7)	(19)	(18)	(15)	(6)
Finance costs	100	97	213	81	157
Movements in current asset allowances	2	19	-	-	(63)
Working capital adjustments:					
Decrease/(increase) in trade and other receivables and prepayments	(2,146)	153	(985)	2,187	4,233
Decrease/(increase) in inventories	(673)	209	5,647	(2,420)	(32)
Increase/(Decrease) in trade and other payables	1,828	1,896	(2,489)	(483)	(2,212)
Interest received	7	19	18	15	6
Interest paid	(100)	(119)	(240)	(96)	(162)
Income tax paid	(592)	(801)	(1,186)	(928)	-
Net cash flows from operating activities	**5,225**	**11,033**	**8,682**	**4,527**	**5,536**
Investing activities					
Proceeds from sale of property, plant and equipment	15	56	33	-	8
Purchase of intangible assets	(44)	(953)	(1,491)	(496)	(47)
Purchase of property, plant and equipment	(1,119)	(5,819)	(9,107)	(4,139)	(2,923)
Net cash flows used in investing activities	**(1,148)**	**(6,716)**	**(10,565)**	**(4,635)**	**(2,962)**
Financing activities					
Proceeds from borrowings	-	6,359	8,603	3,762	1,838
Repayment of borrowings	(2,151)	(2,458)	(2,769)	(1,297)	(1,920)
Payment of finance lease liabilities	(107)	-	(201)	(81)	(98)
Dividends paid to equity holders	(1,800)	(3,950)	(6,030)	(6,030)	(3,368)
Net cash flows from/(used in) financing activities	**(4,058)**	**(49)**	**(397)**	**(3,646)**	**(3,548)**
Net increase in cash and cash equivalents	19	4,268	(2,280)	(3,754)	(974)
Cash and cash equivalents at 1 January	1,287	1,306	5,574	5,574	3,294
Cash and cash equivalents at end of period	**1,306**	**5,574**	**3,294**	**1,820**	**2,320**

Source: ARS (Romania) Annual Financial Statements; ARS (Romania) Interim Financial Statements, unaudited

PRO FORMA FINANCIAL INFORMATION

Introduction

The Company was incorporated on 16 May 2017 by Tatika (Cyprus), Lunic (Cyprus), Wellkept (Romania), MBL (Romania) and Anasa Properties (Romania) who at the time of the incorporation of the Company were also the shareholders of USFN (Romania) and ARS (Romania). As a result of a corporate reorganisation process undertaken in May-June 2017, the Company became the legal parent of USFN (Romania), ARS (Romania), USFN (Italy), USFN (Moldova) and California Fresh Flavors (Romania), to ensure a better coordination of activities and enhance value creation, by taking advantage of the synergies at group level and by achieving economies of scale. In September 2017, the Company has finalised the taking over of certain activities as well as certain employees from USFN (Romania) and from ARS (Romania) and currently renders to the benefit of the Group entities services such as management services, marketing support, development, sales support, human resources and other services.

The Company became the parent of both USFN (Romania) and ARS (Romania) on 30 May 2017, following the contribution by the Company's shareholders of their shares in USFN (Romania) (379,999 shares out of total 380,000 shares) and in ARS (Romania) (379,999 shares out of total 380,000 shares) and in exchange received new shares in Sphera. By applying the criteria set in IFRS 3, the transaction qualified as a business combination and USFN (Romania) was identified as the acquirer of the Company and of ARS (Romania).

On 8 June 2017 USFN (Romania) sold all its shares (a participation of 100%) in USFN (Italy) to the Company and on 14 June 2017 USFN (Romania) sold all its shares (a participation of 80%) in USFN (Moldova) to the Company. These transactions had no effect on the consolidated financial statements of the Company, as there was no change of control, or in the percentage owned by the Company's shareholders.

On 19 June 2017, the Company set up a new subsidiary, California Fresh Flavors (Romania) that holds the licence to operate Taco Bell restaurants in Romania, and holds 9,999 shares of its 10,000 shares. The new subsidiary had no activity up to 30 June 2017.

Purpose of Pro Forma Financial Information

The Pro Forma Financial Information included in this chapter was prepared to illustrate the consolidated operational performance of the Group for the twelve months periods ended 31 December 2014, 31 December 2015 and 31 December 2016 and for the six-month period ended 30 June 2017, respectively, as if the incorporation of the Company and the contribution of USFN (Romania) shares and of ARS (Romania) shares to the Company's share capital took place on 1 January 2014, 1 January 2015, and 1 January 2016 and 1 January 2017, respectively. The acquisition by the Company of the shares in USFN (Italy) and in USFN (Moldova) from USFN (Romania), which has no impact on the consolidated financial statements of the Company, and the incorporation of California Fresh Flavors (Romania) are not adjusted for in the Pro Forma Financial Information.

USFN (Romania) and ARS (Romania) have had identical shareholder structures and also their key management personnel have been preponderantly the same since 2012. Therefore, although from an IFRS perspective the criteria to qualify as being "under common control" are not met (since none of the shareholders had control or common control), the presentation of the Pro Forma Financial Information is reflective of the manner in which the two business segments (KFC operated by USFN (Romania) and Pizza Hut operated by ARS (Romania)) were managed together.

Because of its nature, the Pro Forma Financial Information describes a hypothetical situation and has been prepared for illustrative purposes only and does not purport to represent the Company’s actual financial position or results, nor are they necessarily indicative of future consolidated operational results.

In addition, the statements are based on available information and various assumptions that management believes to be reasonable. The actual results may differ from those reflected in the Pro forma Financial Information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the Pro forma Financial Information and actual amounts.

The Pro forma Financial Information only consists of the pro forma consolidated statement of comprehensive income for the twelve-month period ended 31 December 2014, 31 December 2015 and 31 December 2016 and for the six months period ended 30 June 2017, respectively, and selected notes.

The pro forma consolidated statement of comprehensive income included in the Pro forma Financial Information for the twelve-month periods ended 31 December 2014, 31 December 2015 and 31 December 2016 is based on the statements of comprehensive income for the year ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively, included in USFN (Romania) Annual Financial Statements and in ARS (Romania) Annual Financial Statements, with pro forma adjustments as described in Note 3 and summarized below.

The pro forma consolidated statement of comprehensive income included in the Pro forma Financial Information for the six months ended 30 June 2017 is based on the statement of comprehensive income for the six months ended 30 June 2017 included in the Sphera Interim Financial Statements and ARS (Romania) statement of comprehensive income for the period 1 January – 31 May 2017, which is derived from ARS (Romania) Interim Financial Statements, with pro forma adjustments as described in Note 3 and summarized below.

Basis of preparation of the Pro forma Financial Information – pro forma adjustments

Pro forma adjustments: reclassification of discontinued operations to profit or loss

Up to the second half of 2016, ARS (Romania) acted as a purchase hub for some related entities, mainly the USFN Group. For the purpose of this Chapter, USFN Group comprises USFN (Romania), USFN (Moldova) and USFN (Italy). All food supplies, beverages or other consumables were purchased by ARS (Romania) and sold at a mark-up designed to broadly cover any other operating costs directly associated with this line of business. In November 2016, ARS (Romania) together with USFN (Romania) have outsourced this activity to Havi (Romania); a third-party company specialized in integrated logistics services for the food industry. In the ARS (Romania) Annual Financial Statements, the after-tax result from the discontinued supply activity was disclosed separately, as a single profit or loss caption, in line with the IFRS requirements.

In the process of preparation of the pro forma consolidated statement of comprehensive income, for the twelve-month periods ended 31 December 2014, 31 December 2015 and 31 December 2016, the ARS (Romania) loss for the year from discontinued operations, net of tax was reclassified to the original profit or loss captions (e.g. sales, food and materials, etc.) to the extent that the sales of ARS (Romania) were made towards the USFN Group.

Pro forma adjustments: ARS (Romania) statement of comprehensive income for the period 1 January - 31 May 2017

On 30 May 2017, Sphera acquired 99.9997% of the shares in ARS (Romania), in exchange for Sphera shares. The Statement of comprehensive income for the six-month period ended 30 June 2017 from Sphera Interim Financial Statements, unaudited, includes the results of ARS (Romania) from the date of acquisition, i.e. from 31 May 2017 to 30 June 2017. As such, the pre-acquisition statement of comprehensive income of ARS (Romania) for the period 1 January 2017 to 31 May 2017 has been added, as if the acquisition took place on 1 January 2017.

Pro forma adjustments: elimination of intercompany transactions

In the process of preparation of the pro forma consolidated statement of comprehensive income for the twelve-month periods ended 31 December 2014, 31 December 2015 and 31 December 2016, amounts as per the USFN (Romania) Annual Financial Statements were added to the amounts as per the ARS (Romania) Annual Financial Statements, with the transactions carried out during 2016 between the two entities being eliminated.

In the process of preparation of the pro forma consolidated statement of comprehensive income for the six-month period ended 30 June 2017, pre-acquisition amounts for the period 1 January 2017 to 31 May 2017 from the statement of comprehensive income of ARS were added to the amounts from the Sphera consolidated statement of comprehensive income for the six months ended 30 June 2017, thus the transactions carried out during the first five months of 2017 between the two entities had to be eliminated.

No synergies or integration costs following the re-organization through which the Company has become the legal parent of USFN (Romania) and ARS (Romania) have been taken into consideration in the preparation of the pro forma consolidated financial information

Additionally, only for the twelve-month periods ended 31 December 2016, this category also includes the reclassification of the net foreign exchange gain from ARS (Romania), to be netted off against the net foreign exchange loss of USFN (Romania), for presentation consistency purposes.

Pro forma adjustments: Purchase price allocation ("PPA") adjustments

Adjustments have been made to account for the effect of the purchase price allocation performed as of 30 May 2017, the date of acquisition of the Company and of ARS (Romania) by USFN (Romania), from the perspective of IFRS 3. Specifically, there are fair value adjustments recorded for the property, plant and equipment of ARS (Romania). The adjustment recorded in the pro forma financial information has been computed by applying the fair value adjustments to the property, plant and equipment of ARS (Romania) (as determined on 31 May 2017) to their net book values on 1 January of the respective year or from the date of acquisition, and by re-computing the depreciation expense for the years 2014, 2015 and 2016 as well as for the period 1 January 2017 – 31 May 2017 based on the amounts thus adjusted.

Summary of Pro forma consolidated statement of comprehensive income for the years ended 31 December 2014, 2015 and 2016 and for six months ended 30 June 2017

All data are in RON thousand unless otherwise stated	**Year ended 31 December**			**Six months ended 30 June**
	2014	**2015**	**2016**	**2017**
		Unaudited		**Unaudited**
Restaurant sales	**324,912**	**405,830**	**514,475**	**287,833**
Restaurant expenses	**267,699**	**325,134**	**422,204**	**237,034**
Food and material expenses	115,286	142,859	183,409	100,472
Payroll and employee benefits	52,401	65,135	91,960	55,195
Rent	26,447	29,020	35,525	20,898
Royalties	19,103	23,830	30,356	16,807
Advertising	16,777	20,960	26,521	14,220
Other operating expenses, net	26,864	32,904	41,972	22,782
Depreciation and amortization	10,821	10,426	12,461	6,660
Restaurant operating profit	**57,213**	**80,696**	**92,271**	**50,799**
General and administration expenses, net	21,419	23,912	31,988	20,204
Operating profit	**35,794**	**56,784**	**60,283**	**30,595**
Finance costs	1,287	1,013	929	638
Finance income	247	417	113	115
Profit before tax	**34,754**	**56,188**	**59,467**	**30,072**
Income tax expense	5,195	8,421	6,144	1,742
Profit for the period from continuing operations	**29,559**	**47,767**	**53,323**	**28,330**
Discontinued operations				
Loss after tax from discontinued operations	(620)	(476)	(1,683)	-
Profit for the period	**28,930**	**47,291**	**51,640**	**28,330**
Attributable to:				
Equity holders of Sphera	28,790	47,134	51,600	28,218
Non-controlling interests	149	157	40	112
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):				
Exchange differences on translation of foreign operations	(10)	(92)	83	(30)
Total comprehensive income for the period, net of tax	**28,929**	**47,199**	**51,723**	**28,300**
Attributable to:				
Equity holders of Sphera	28,782	47,050	51,681	28,188
Non-controlling interests	147	149	42	112
Earnings per share				
Profit from continuing operations attributable to ordinary equity holders of Sphera	29,410	47,610	53,283	28,218
Number of Sphera shares	38,799,340	38,799,340	38,799,340	38,799,340
Earnings per share, basic and diluted (RON/share)	**0.76**	**1.23**	**1.37**	**0.73**

All data are in RON thousand unless otherwise stated	Year ended 31 December			Six months ended 30 June
	2014	2015	2016	2017
	Unaudited			Unaudited
EBITDA				
Operating profit from continuing operations	**35,794**	**56,784**	**60,283**	**30,595**
Adjustments to bridge operating profit to EBITDA:				
Depreciation and amortization included in restaurant expenses	10,821	10,426	12,461	6,660
Depreciation and amortization included in general and administration expenses	658	655	758	1,179
EBITDA from continuing operations	**47,273**	**67,865**	**73,502**	**38,434**
Segment reporting				
Revenue breakdown by countries				
Romania	320,675	400,273	506,983	280,221
Republic of Moldova	4,237	5,557	7,492	4,131
Italy				3,481
Total restaurant revenue	**324,912**	**405,830**	**514,475**	**287,833**
Revenue breakdown by brands				
KFC	260,692	328,510	415,535	232,439
Pizza Hut	64,220	77,320	98,940	55,394
Total restaurant revenue	**324,912**	**405,830**	**514,475**	**287,833**

Source: Sphera Franchise Group S.A. Pro Forma Consolidated Financial Information for the periods from 1 January 2014 to 31 December 2014, 1 January 2015 to 31 December 2015, 1 January 2016 to 31 December 2016 and 1 January 2017 to 30 June 2017, unaudited.

Pro forma consolidated statement of comprehensive income for the year ended 31 December 2014

	Year ended 31 December 2014 Unaudited					
	USFN Group	ARS	Reclassification of discontinued operations	Intercompany elimination	PPA effect	Pro forma
Restaurant sales	**261,782**	**63,130**	**62,412**	**(62,412)**	**-**	**324,912**
Restaurant expenses	**215,352**	**51,952**	**62,448**	**(62,448)**	**395**	**267,699**
Food and material expenses	98,405	16,881	60,847	(60,847)	-	115,286
Payroll and employee benefits	40,400	12,001	-	-	-	52,401
Rent	20,366	6,081	-	-	-	26,447
Royalties	15,406	3,697	-	-	-	19,103
Advertising	13,187	3,590	-	-	-	16,777
Other operating expenses, net	19,350	7,514	1,601	(1,601)	-	26,864
Depreciation and amortization	8,238	2,188	-	-	395	10,821
Restaurant operating profit	**46,430**	**11,178**	**(36)**	**36**	**(395)**	**57,213**
General and administration expenses, net	15,299	6,094	(66)	66	26	21,419
Operating profit	**31,131**	**5,084**	**30**	**(30)**	**(421)**	**35,794**
Finance costs	978	309	-	-	-	1,287
Finance income	240	7	-	-	-	247
Profit before tax	**30,393**	**4,782**	**30**	**(30)**	**(421)**	**34,754**
Income tax expense	4,528	667	5	(5)	-	5,195
Profit for the period from continuing operations	**25,865**	**4,115**	**25**	**(25)**	**(421)**	**29,559**
Discontinued operations	-	(595)	(25)	-	-	(620)
Loss after tax from discontinued operations						
Profit for the year	**25,865**	**3,520**	**-**	**(25)**	**(421)**	**28,930**
Attributable to:						
Equity holders of Sphera	25,716	3,520	-	(25)	(421)	28,790

	Year ended 31 December 2014 Unaudited					
	USFN Group	ARS	Reclassification of discontinued operations	Intercompany elimination	PPA effect	Pro forma
Non-controlling interests	149	-	-	-	-	149
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):						
Exchange differences on translation of foreign operations	(10)	-	-	-	-	(10)
Total comprehensive income for the period, net of tax	**25,855**	**3,520**	**-**	**(25)**	**(421)**	**28,929**
Attributable to:						
Equity holders of Sphera	25,708	3,520	-	(25)	(421)	28,782
Non-controlling interests	147	-	-	-	-	147
Earnings per share						
Profit from continuing operations attributable to ordinary equity holders of Sphera						29,410
Number of Sphera shares						38,799,340
Earnings per share, basic and diluted (RON/share)						**0.76**
EBITDA						
Operating profit from continuing operations	**31,131**	**5,084**	**30**	**(30)**	**(421)**	**35,794**
Adjustments to bridge operating profit to EBITDA:						
Depreciation and amortization included in restaurant expenses	8,238	2,188	-	-	395	10,821
Depreciation and amortization included in general and administration expenses	481	151	-	-	26	658
EBITDA from continuing operations	**39,850**	**7,423**	**30**	**(30)**	**-**	**47,273**
Segment reporting						
Revenue breakdown by countries						
Romania	257,545	63,130				320,675
Republic of Moldova	4,237	-				4,237
Italy						
Total restaurant revenue	**261,782**	**63,130**				**324,912**
Revenue breakdown by brands						
KFC						260,692
Pizza Hut						64,220
Total restaurant revenue						**324,912**

Source: Sphera Franchise Group S.A. Pro Forma Consolidated Financial Information for the period from 1 January 2014 to 31 December 2014, unaudited.

Pro forma consolidated statement of comprehensive income for the year ended 31 December 2015

	Year ended 31 December 2015 Unaudited					
	USFN Group	**ARS**	**Reclassification of discontinued operations**	**Intercompany elimination**	**PPA effect**	**Pro forma**
Restaurant sales	**329,963**	**75,867**	**80,704**	**(80,704)**	**-**	**405,830**
Restaurant expenses	**264,693**	**59,962**	**80,608**	**(80,608)**	**479**	**325,134**
Food and material expenses	123,141	19,718	78,020	(78,020)	-	142,859
Payroll and employee benefits	50,513	14,622	-	-	-	65,135
Rent	22,544	6,476	27	(27)	-	29,020
Royalties	19,382	4,448	-	-	-	23,830
Advertising	16,715	4,245	2	(2)	-	20,960
Other operating expenses, net	24,565	8,339	2,559	(2,559)	-	32,904
Depreciation and amortization	7,833	2,114	-	-	479	10,426
Restaurant operating profit	**65,270**	**15,905**	**96**	**(96)**	**(479)**	**80,696**
General and administration expenses, net	16,132	7,751	3	(3)	29	23,912
Operating profit	**49,138**	**8,154**	**93**	**(93)**	**(508)**	**56,784**
Finance costs	531	482	-	-	-	1,013
Finance income	398	19	-	-	-	417
Profit before tax	**49,005**	**7,691**	**93**	**(93)**	**(508)**	**56,188**
Income tax expense	7,251	1,170	14	(14)	-	8,421
Profit for the period from continuing operations	**41,754**	**6,521**	**79**	**(79)**	**(508)**	**47,767**
Discontinued operations	-	(397)	(79)	-	-	(476)
Loss after tax from discontinued operations						
Profit for the year	**41,754**	**6,124**	**-**	**(79)**	**(508)**	**47,291**
Attributable to:						
Equity holders of Sphera	41,597	6,124	-	(79)	(508)	47,134
Non-controlling interests	157	-	-	-	-	157
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):						
Exchange differences on translation of foreign operations	(92)	-	-	-	-	(92)
Total comprehensive income for the year, net of tax	**41,662**	**6,124**	**-**	**(79)**	**(508)**	**47,199**
Attributable to:						
Equity holders of Sphera	41,513	6,124	-	(79)	(508)	47,050
Non-controlling interests	149	-	-	-	-	149
Earnings per share						
Profit from continuing operations attributable to ordinary equity holders of Sphera						47,610
Number of Sphera shares						38,799,340
Earnings per share, basic and diluted (RON/share)						**1.23**
EBITDA						
Operating profit from continuing operations	**49,138**	**8,154**	**93**	**(93)**	**(508)**	**56,784**
Adjustments to bridge operating profit to EBITDA:						
Depreciation and amortization included in restaurant expenses	7,833	2,114	-	-	479	10,426
Depreciation and amortization included in general and administration expenses	493	133	-	-	29	655

	Year ended 31 December 2015 Unaudited					
	USFN Group	**ARS**	**Reclassification of discontinued operations**	**Intercompany elimination**	**PPA effect**	**Pro forma**
EBITDA from continuing operations	**57,464**	**10,401**	**93**	**(93)**	**-**	**67,865**
Segment reporting						
Revenue breakdown by countries						
Romania	324,406	75,867				400,273
Republic of Moldova	5,557	-				5,557
Italy						
Total restaurant revenue	**329,963**	**75,867**				**405,830**
Revenue breakdown by brands						
KFC						328,510
Pizza Hut						77,320
Total restaurant revenue						**405,830**

Source: Sphera Franchise Group S.A. Pro Forma Consolidated Financial Information for the period from 1 January 2015 to 31 December 2015, unaudited.

Pro forma consolidated statement of comprehensive income for the year ended 31 December 2016

	Year ended 31 December 2016 Unaudited					
	USFN Group	**ARS**	**Reclassification of discontinued operations**	**Intercompany elimination**	**PPA effect**	**Pro forma**
Restaurant sales	**417,535**	**96,940**	**77,650**	**(77,650)**	**-**	**514,475**
Restaurant expenses	**339,314**	**82,329**	**77,979**	**(77,979)**	**561**	**422,204**
Food and material expenses	157,302	26,107	75,272	(75,272)	-	183,409
Payroll and employee benefits	69,577	22,383	-	-	-	91,960
Rent	27,498	8,027	13	(13)	-	35,525
Royalties	24,654	5,702	-	-	-	30,356
Advertising	20,736	5,785	17	(17)	-	26,521
Other operating expenses, net	30,313	11,659	2,677	(2,677)	-	41,972
Depreciation and amortization	9,234	2,666	-	-	561	12,461
Restaurant operating profit	**78,221**	**14,611**	**(329)**	**329**	**(561)**	**92,271**
General and administration expenses, net	22,975	8,982	(9)	9	31	31,988
Operating profit	**55,246**	**5,629**	**(320)**	**320**	**(592)**	**60,283**
Finance costs	825	213	-	(109)	-	929
Finance income	95	127	-	(109)	-	113
Profit before tax	**54,516**	**5,543**	**(320)**	**320**	**(592)**	**59,467**
Income tax expense	5,783	361	(50)	50	-	6,144
Profit for the year from continuing operations	**48,733**	**5,182**	**(270)**	**270**	**(592)**	**53,323**
Discontinued operations						
Loss after tax from discontinued operations	-	(1,953)	270	-	-	(1,683)
Profit for the year	**48,733**	**3,229**	**-**	**270**	**(592)**	**51,640**
Attributable to:						
Equity holders of Sphera	48,693	3,229	-	270	(592)	51,600
Non-controlling interests	40	-	-	-	-	40

	Year ended 31 December 2016 Unaudited					
	USFN Group	**ARS**	**Reclassification of discontinued operations**	**Intercompany elimination**	**PPA effect**	**Pro forma**
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):						
Exchange differences on translation of foreign operations	83	-	-	-	-	83
Total comprehensive income for the year, net of tax	**48,816**	**3,229**	**-**	**270**	**(592)**	**51,723**
Attributable to:						
Equity holders of Sphera	48,774	3,229	-	270	(592)	51,681
Non-controlling interests	42	-	-	-	-	42
Earnings per share						
Profit from continuing operations attributable to ordinary equity holders of Sphera						53,283
Number of Sphera shares						38,799,340
Earnings per share, basic and diluted (RON/share)						**1.37**
EBITDA						
Operating profit from continuing operations	**55,246**	**5,629**	**(320)**	**320**	**(592)**	**60,283**
Adjustments to bridge operating profit to EBITDA:						
Depreciation and amortization included in restaurant expenses	9,234	2,666	-	-	561	12,461
Depreciation and amortization included in general and administration expenses	590	137	-	-	31	758
EBITDA from continuing operations	**65,070**	**8,432**	**(320)**	**320**	**-**	**73,502**
Segment reporting						
Revenue breakdown by countries						
Romania	410,043	96,940				506,983
Republic of Moldova	7,492	-				7,492
Italy						
Total restaurant revenue	**417,535**	**96,940**				**514,475**
Revenue breakdown by brands						
KFC						415,535
Pizza Hut						98,940
Total restaurant revenue						**514,475**

Source: Sphera Franchise Group S.A. Pro Forma Consolidated Financial Information for the period from 1 January 2016 to 31 December 2016, unaudited.

Pro forma consolidated statement of comprehensive income for the six months ended 30 June 2017

	Six months ended 30 June 2017 Unaudited				
	Sphera	**ARS for the period 1 January - 31 May 2017**	**Intercompany elimination**	**PPA effect**	**Pro forma**
Restaurant sales	**242,204**	**45,630**	**(1)**	**-**	**287,833**
Restaurant expenses	**197,650**	**39,144**	**(1)**	**241**	**237,034**
Food and material expenses	87,944	12,530	(2)	-	100,472
Payroll and employee benefits	43,430	11,765	-	-	55,195
Rent	17,001	3,897	-	-	20,898
Royalties	14,125	2,682	-	-	16,807
Advertising	11,724	2,517	(21)	-	14,220
Other operating expenses, net	18,474	4,286	22	-	22,782
Depreciation and amortization	4,952	1,467	-	241	6,660
Restaurant operating profit	**44,554**	**6,486**	**-**	**(241)**	**50,799**
General and administration expenses, net	15,832	4,372	-	-	20,204
Operating profit	**28,722**	**2,114**	**-**	**(241)**	**30,595**
Finance costs	440	198	-	-	638
Finance income	109	6	-	-	115
Profit before tax	**28,391**	**1,922**	**-**	**(241)**	**30,072**
Income tax expense	1,189	553	-	-	1,742
Profit for the period	**27,202**	**1,369**	**-**	**(241)**	**28,330**
Attributable to:					
Equity holders of Sphera	27,090	1,369	-	(241)	28,218
Non-controlling interests	112	-	-	-	112
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):					
Exchange differences on translation of foreign operations	(30)	-	-	-	(30)
Total comprehensive income for the period, net of tax	**27,172**	**1,369**	**-**	**(241)**	**28,300**
Attributable to:					
Equity holders of Sphera	27,060	1,369	-	(241)	28,188
Non-controlling interests	112	-	-	-	112

Earnings per share	
Profit from continuing operations attributable to ordinary equity holders of Sphera	28,218
Number of Sphera shares	38,799,340
Earnings per share, basic and diluted (RON/share)	**0.73**

EBITDA					
Operating profit	**28,722**	**2,114**	**-**	**(241)**	**30,595**
Adjustments to bridge operating profit to EBITDA:					
Depreciation and amortization included in restaurant expenses	4,952	1,467	-	241	6,660
Depreciation and amortization included in general and administration expenses	1,119	60	-	-	1,179
EBITDA	**34,793**	**3,641**	**-**	**-**	**38,434**

	Six months ended 30 June 2017 Unaudited				
	Sphera	ARS for the period 1 January - 31 May 2017	Intercompany elimination	PPA effect	Pro forma
Segment reporting					
Revenue breakdown by countries					
Romania	234,591	45,630			280,221
Republic of Moldova	4,131	-			4,131
Italy	3,481	-			3,481
Total restaurant revenue	**242,203**	**45,630**			**287,833**
Revenue breakdown by brands					
KFC					232,439
Pizza Hut					55,394
Total restaurant revenue					**287,833**

Source: Sphera Franchise Group S.A. Pro Forma Consolidated Financial Information for the period from 1 January 2017 to 30 June 2017, unaudited.

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of the financial condition and results of operations of the Group should be read in conjunction with the information in sections captioned "Presentation of Financial and Other Information" and "Selected Financial and Operating Information" of this Prospectus. The following discussion should also be read in conjunction with, and is qualified by reference to, the Group Financial Statements, in each case with the related notes, prepared in accordance with IFRS-EU and appended to this Prospectus.

The following discussion includes trend information and forward-looking statements based on assumptions about our future business. Our actual results could differ materially from those contained in these forward-looking statements as a result of many factors, including but not limited to those described in section captioned "Forward-Looking Statements" and under chapter "Risk Factors" of this Prospectus.

Overview

Sphera was incorporated on 16 May 2017 by the former shareholders of USFN (Romania) and of ARS (Romania) to ensure a better coordination of activities and enhancing value creation, by taking advantage of the synergies at a group level and by achieving economies of scale. Sphera became the parent of both USFN (Romania) and ARS (Romania) on 30 May 2017, following the in-kind contribution by the existing shareholders of their shares in USFN (Romania) (379,999 shares out of total 380,000 shares) and in ARS (Romania) (379,999 shares out of total 380,000 shares), in exchange for shares in Sphera. By applying the criteria set in IFRS 3, the transaction qualified as a business combination and USFN (Romania) was identified as the acquirer of the Company and of ARS (Romania). Therefore, the historical financial statements consist of the consolidated financial statements of USFN (Romania) for the years ended 31 December 2014, 2015 and 2016 and the consolidated interim financial statements of Sphera for the six months ended 30 June 2017. Additionally, historical financial information for ARS (Romania) (consisting of the financial statements for the years ended 31 December 2014, 2015 and 2016 and the interim financial statements for the six months ended 30 June 2017) has also been presented due to the significance of the acquisition of ARS (Romania).

Key factors affecting the Group's results of operations

The Group's results of operations have been and are expected to continue to be affected by a number of key factors.

General economic environment in our markets

The Group's results of operations are affected by specific local economic conditions in the markets and geographic areas in which it operates. Such conditions include levels of employment, commodity inflation, real disposable income, private consumption, the availability of consumer credit, consumer confidence, applicable taxes, and consumer willingness to spend. In an unfavourable economic environment with a decrease in disposable income, the Group's customers may reduce the frequency with which they dine out or order-in or may choose more inexpensive dining options. This trend is however offset by the general affordability of our products, as customers may substitute the Group's products for other, more expensive, options. Positive economic conditions, in contrast, tend to increase consumer demand for the Group's products. Changes in general economic conditions therefore affect customer traffic, average ticket price and the Group's ability to pass through cost increases to customers.

Competitive environment

The Group operates in a highly competitive market, particularly with respect to food quality, price, service, convenience and concept, which in turn may be affected by considerations such as changes in consumer preferences. The Group competes against international chains, as well as many national, regional and local businesses in the quick-service, casual dine-in and delivery/takeaway restaurant sectors not only for customers, but also for management and store employees, suitable real estate sites and qualified sub-franchisees. This competition can put downward pressure on product prices and demand for the Group's products as well as upward pressure on wages and rents, resulting in reduced profitability.

Network rollout

In order to attract new customers and consolidate our brand's market share, we seek to expand our restaurant network in both existing and new territories. Over the 2014-2016 period, we have opened 23 units, reaching a total of 98 units by the end of 2016. Over the medium term, we plan to accelerate the rollout of new stores to an annual average of approximately 25 stores. As a result, new store openings have been a significant driver of our revenue growth in the period under review, and will continue to materially affect our results of operations for the foreseeable future.

We will continue to expand in Romania with the existing brands, as we believe that, given the current macroeconomic environment, there is significant potential for new stores. Based on our analysis, we believe the current potential in Romania is of approximately 110 stores for KFC (63 in operation as of the end of 2016), 30 stores for Pizza Hut Dine-In (21 in operation as of the end of 2016) and 40 stores for Pizza Hut Delivery (12 in operation as of the end of 2016). In the longer term, we expect this store network potential to continue to increase, mainly on the back of the further expected growth of the Romanian economy, with positive impact on nominal and real-terms personal disposable income, but also of further migration of the population from the rural areas towards larger cities.

A significant component of future network rollout will be the successful entering into new territories. During the first half of the year 2017, we have signed two development agreements with Yum! for opening at least 32 KFC stores in the North-Eastern part of Italy within five years.

At the same time, we are looking for opportunities to add more food concepts into our portfolio, which would be complementary to our current offer. To this extent, we have already signed a development agreement with Yum! for opening 10 Taco Bell restaurants within the following three years.

Performance of existing restaurants

The growth of our revenues over the 2014-2016 period was driven almost equally by opening of new restaurants and the strong like-for-like performance of our existing restaurants. KFC was the main contributor to this performance, both in terms of store count and year-on-year growth rates.

In the following years, we expect the like-for-like performance to be influenced positively by the continuous improvement in the purchasing power of the population, higher propensity for dining-out or delivery ordering, increased awareness of our brands across the territories we operate and negatively by the number and speed with which we open new units in cities where we are already present, as well as by the increased competition

Price of raw materials

Cost of sales represents our most important expense, accounting for 35.6% of our consolidated pro forma sales in 2016. Our gross margin is affected by a number of factors, including movements in the cost of sales (including with respect to the prices of raw materials), the extent to which the Group can negotiate favourable prices and rebates from suppliers as well as the mix of products that it sells from time to time.

The Group's principal raw materials are chicken meat, cheese, sauce, flour, vegetables, as well as cardboard packaging. The Group seeks to procure its principal inputs from multiple suppliers, in the event that the Group's primary suppliers cannot deliver the components in the contracted amounts and specifications, the Group's requirements exceed the Group's minimum contracted amounts or the Group is subjected to unanticipated price increases. Prices of the Group's raw materials are generally set by market conditions and the Group is not always able to pass these changes along to the Group's customers, particularly in the short term.

The Group seeks to manage factors which put pressure on the Group's gross margin. For example, the Group maintains relationships with additional suppliers. The Group's suppliers also often offer rebates, which are discounts usually based on the purchase of a certain quantity. The Group reflects these rebates as a reduction in the Group's cost of sales. These rebates vary from period to period, based on the Group's relationship with a particular supplier and overall market conditions. As the volume of the Group's system stores in a territory increases, the Group is generally able to negotiate more favourable pricing with suppliers, and also qualify for greater levels of rebates.

Payroll

Cost of labour represent our second most important expense and was the fastest growing expense item at restaurant level over the 2014-2016 period, accounting for 17.9% of our consolidated pro forma sales in 2016. We expect our personnel costs to grow proportionally with the growth of the number of our restaurants and our restaurant revenue complemented by appropriate increase in sales prices. Factors that influence fluctuations in our labour costs include minimum wage and payroll tax legislation, the frequency and severity of labour-related claims, health care costs, the performance of our restaurants, new openings and whether new employees are fixed overhead costs or are restaurant hires.

Marketing and advertising activities

The Group's marketing and advertising activities are an essential part of attracting new customers as well as retaining existing customers. Marketing is particularly important for the Group to communicate its product innovation and price promotion programs to customers and to reinforce the Group's brand awareness, build the Group's image and drive customer volumes. According to the franchise agreements signed so far, the Group is obliged to spend at least 5% of its restaurant sales on marketing and advertising activities.

The effectiveness of the marketing and advertising activities can vary from one year to another and from one campaign to another, depending on the products under promotion, the quality of our communication as well as on the ability of our employees to communicate to customers the ongoing campaigns and promote trade-up products.

The Group also monitors closely the expenditure and frequency of marketing and advertising campaigns by the Group's competition, and seeks to maintain a relatively constant presence in the market.

Consumer preferences

Consumer preferences in the quick-service, casual dine-in and delivery/takeaway foodservice segments are affected by a range of factors, including consumer tastes, national, regional and local economic conditions and demographic trends. For instance, prevailing health or dietary preferences may cause consumers to avoid fast-food products or pizza products offered by the Group in favour of foods that are perceived to be healthier. Changes in consumer preferences can significantly impact demand for the Group's products, but this impact may be somehow limited by our exposure to multiple segments of the foodservice sector.

The Group seeks to maintain the appeal of its products to customers through product innovation, characterized by frequent introduction of new product offerings, and the consumer reaction to new product launches can affect the Group's sales.

Accordingly, the Group's results of operations are affected by the Group's success against the Group's competitors in the quick-service, casual dine-in and delivery/takeaway foodservice segments, which is dependent on a variety of factors, including the comparative attractiveness and taste of the Group's products, perceived product and service quality and the availability of comparable products from its competitors. The pricing of the Group's products, and in particular, the timing and terms of specially-priced offers to customers, can have a significant impact on both the volume of the Group's sales and the Group's margins, as well as the Group's market share against competitors.

Foreign exchange variations

Most of our operations are denominated in RON. In Romania, the operations that are denominated in foreign currencies are the acquisition of food supplies and materials, rent and bank borrowings. Approximately 30% of our acquisitions of food supplies and materials are denominated in either EUR or USD. Although most rent contracts are denominated in EUR (with subsequent changes being pegged to changes in EU CPI rate), more than half of our rent expenses vary in direct relationship with restaurant sales and we expect the percentage of variable rent to further increase in the following year. In addition, virtually all our bank borrowings are denominated in EUR.

USFN (Romania) – results of operations for the years ended December 31, 2014, 2015 and 2016

Consolidated statement of comprehensive income

The following table presents the consolidated statement of comprehensive income of USFN (Romania) for the years ended 31 December 2014, 2015 and 2016, respectively.

All data are in RON'000 unless otherwise stated	Year ended 31 December 2014	2015	2016	Annual change 2015	2016	Percentage of Sales 2014	2015	2016
Restaurant sales	**261,782**	**329,963**	**417,535**	**26.0%**	**26.5%**	**100.0%**	**100.0%**	**100.0%**
Restaurant expenses								
Food and materials	98,405	123,141	157,302	25.1%	27.7%	37.6%	37.3%	37.7%
Payroll and employee benefits	40,400	50,513	69,577	25.0%	37.7%	15.4%	15.3%	16.7%
Rent	20,366	22,544	27,498	10.7%	22.0%	7.8%	6.8%	6.6%
Royalties	15,406	19,382	24,654	25.8%	27.2%	5.9%	5.9%	5.9%
Advertising	13,187	16,715	20,736	26.8%	24.1%	5.0%	5.1%	5.0%
Other operating expenses	19,350	24,565	30,313	27.0%	23.4%	7.4%	7.4%	7.3%
Depreciation	8,238	7,833	9,234	-4.9%	17.9%	3.1%	2.4%	2.2%
Restaurant operating profit	**46,430**	**65,270**	**78,221**	**40.6%**	**19.8%**	**17.7%**	**19.8%**	**18.7%**
G&A expenses	15,299	16,132	22,975	5.4%	42.4%	5.8%	4.9%	5.5%
Operating profit	**31,131**	**49,138**	**55,246**	**57.8%**	**12.4%**	**11.9%**	**14.9%**	**13.2%**
Finance costs	978	531	825	-45.7%	55.4%	0.4%	0.2%	0.2%
Finance income	240	398	95	65.8%	-76.1%	0.1%	0.1%	0.0%
Profit before tax	**30,393**	**49,005**	**54,516**	**61.2%**	**11.2%**	**11.6%**	**14.9%**	**13.1%**
Income tax expense	4,528	7,251	5,783	60.1%	-20.2%	1.7%	2.2%	1.4%
Profit for the year	**25,865**	**41,754**	**48,733**	**61.4%**	**16.7%**	**9.9%**	**12.7%**	**11.7%**
EBITDA calculation								
Operating profit	**31,131**	**49,138**	**55,246**	**57.8%**	**12.4%**	**11.9%**	**14.9%**	**13.2%**
Adjustments to bridge operating profit to EBITDA								
Depreciation and amortization..	8,238	7,833	9,234	-4.9%	17.9%	3.1%	2.4%	2.2%
Depreciation and amortization included in general and administration expenses...........	481	493	590	2.5%	19.7%	0.2%	0.1%	0.1%
EBITDA	**39,850**	**57,464**	**65,070**	**44.2%**	**13.2%**	**15.2%**	**17.4%**	**15.6%**

Source: USFN (Romania) Annual Financial Statements

Selected operating data

All data are in RON'000 unless otherwise stated	Year ended 31 December 2014	2015	2016	Annual change 2015	2016
Like-for-like performance					
Like-for-like sales growth				19.0%	17.0%
KFC restaurant count					
Restaurants at beginning of period	52	53	59		
Net additions	1	6	6		
Restaurants at end of period	**53**	**59**	**65**		

Source: Management data

Revenues

The consolidated revenues of USFN (Romania) are represented mainly by our KFC restaurant sales in Romania and in the Republic of Moldova. We operate three main KFC restaurant formats, namely food court, inline and drive-thru, with most of the sales being generated in the restaurants' seating area (the food court's shared seating area, in case of the restaurants located in the malls or commercial centres). For our drive-thru restaurants, a significant part of sales is generated through the dedicated car lane service, where our customers can order take-away products directly from their car.

In our KFC restaurants, we sell food and beverage products either individually or as a part of a price-attractive bundle labelled "menu". Generally, the menus include three main components: a portion of a chicken-based product (sandwiches, wrappers or pieces of chicken meat), a medium-sized portion of French fries and a medium-sized non-alcoholic drink. For an additional price, our customers can choose the "Go Large" version of the menu, which comprises a large-sized portion of French fries and a non-alcoholic drink. A dipping sauce is also offered in some menu offers. Whereas menus are normally sized for one person, we also offer products, called Buckets, that are targeted for group consumption (normally, up to four people). Buckets generally consist of higher number of chicken meat pieces and some include portions of French fries and non-alcoholic drinks.

Consolidated restaurant sales reached RON 417.5 million for the year ended 31 December 2016, compared with RON 330.0 million for the year ended 31 December 2015, marking an increase of 26.5%. This growth was fuelled mainly by the performance of the 53 restaurants that were already in operation on 1 January 2015, the cumulated sales of which increased by 17.0%, but also by the performance of the 12 net new restaurants that have been opened between 1 January 2015 and 31 December 2016.

Consolidated restaurant sales reached RON 330.0 million for the year ended 31 December 2015, compared with RON 261.8 million for the year ended 31 December 2014, marking an increase of 26.0%. This growth was mainly fuelled by the performance of the 52 restaurants that were already in operation on 1 January 2014, the cumulated sales of which increased by 19.0%, but also by the performance of the 7 net new restaurants that have been opened between 1 January 2014 and 31 December 2015.

Although we have increased our selling prices both in 2015 and 2016, the impact on the overall sales growth was not significant, as the key drivers of growth were the increase in transactions of the like-for-like restaurants and the opening of new restaurants, as detailed above.

Most of the restaurant sales were generated in Romania, which accounted for 98.2% of the consolidated sales for the year ended 31 December 2016, 98.3% of the consolidated sales for the year ended 31 December 2015 and 98.4% of the consolidated sales for the year ended 31 December 2014.

Food and materials expenses

Food and materials expenses include the cost of all raw materials, finished products and packaging that were included in the products sold to our customers. The main items in this category include various pieces of chicken meat (inner fillets, drumsticks, thighs, wings, breasts), frozen potatoes fries, beverages supplied by the Coca-Cola Romania, shortening, dipping sauces and toys. Based on our product pricing policy, we monitor the evolution of this expense category mainly as percentage of restaurant sales.

Food and materials expenses reached RON 157.3 million for the year ended 31 December 2016, compared with RON 123.1 million for the year ended 31 December 2015, representing an increase of 27.7%. The increase of this expense category to 37.7% of restaurant sales for the year ended 31 December 2016 from 37.3% of sales for the year ended 31 December 2015, or by 0.4 percentage points, was mainly due to a significant increase in the acquisition prices of potato fries starting the second half of the year, which was triggered by a crisis in the international potato commodity market induced by bad crops. Based on the average acquisition price that we incurred in the first six months of the year 2016, we estimate that the total impact of the higher potato prices for the full year 2016 was approximately 0.7% of food and materials expenses, respectively 0.3% of sales.

Food and materials expenses reached RON 123.1 million, or 37.3% of sales, for the year ended 31 December 2015, compared with RON 98.4 million, or 37.6% of sales, for the year ended 31 December 2014, representing an increase of 25.1%. The reduction as a percentage of sales of our cost of sales during the year 2015 was mainly due to the slightly faster increase of our selling prices compared with the prices we paid for our food supplies.

Payroll and employee benefits

Payroll and employee benefits include the gross salaries, gross bonuses and related company contribution taxes that we pay for our restaurant employees. All employees at the restaurant level are hired on various shifts (full time and part time) and are paid a fixed base salary. Employee benefits consist mainly of performance related bonuses, which are paid to the restaurant’s management team (restaurant general manager, deputy managers, assistant managers) on a quarterly basis, based on a comprehensive evaluation that takes into account a number of quantitative and qualitative criteria, including the performance of restaurant sales and profitability compared with the previous year and budgeted levels.

Payroll and employee benefits expenses reached RON 69.6 million for the year ended 31 December 2016, compared with RON 50.5 million for the year ended 31 December 2015, marking an increase of 37.7%. This expense category reached 16.7% of restaurant sales in 2016 compared with 15.3% in 2015, representing a 1.4 percentage point increase. The faster increase of payroll and employee benefits expenses compared to the increase in restaurant sales was mainly due to significant adjustments in the salaries paid to our restaurant staff, following the increase of the economy's minimum mandatory gross salary from RON 1,050 to RON 1,250 since May 2016 (representing a 19% increase) and further to RON 1,450 since February 2017 (representing an 11% increase). In anticipation of this regulatory salary increase, we significantly increased the salaries of our restaurant staff during the year 2016, by an average of 17% in February 2016 and by another 11% in November 2016.

Payroll and employee benefits expenses reached RON 50.5 million for the year ended 31 December 2015, compared with RON 40.4 million for the year ended 31 December 2014, marking an increase of 25.0%. This expense category reached 15.3% of restaurant sales in 2015 compared with 15.4% in 2014, representing a 0.1 percentage point decrease. This stable weight of payroll and employee benefits expenses as percentage of restaurant sales was due to a number of factors, among which the most important were: opening of new restaurants, increase in the number of employees in the restaurants, increase of base gross salaries paid to the employees, as well as a significant increase in the value of bonuses paid, in correlation with the strong improvement of our restaurants' profitability during the year 2015.

Rent

Rent comprises costs of leasing the sites in which we operate our restaurants. All KFC restaurants operate in leased locations. Rent terms are negotiated on an individual basis for each site, hence, there are significant differences between rent terms of various sites. In terms of rent levels, most of our contracts provide for a combination of a fixed rent (payable when sales are below a pre-agreed certain level) and a variable rent, calculated as a certain percentage of sales (payable when sales exceed the pre-agreed level). We also have contracts that provide for the payment of fixed rents only.

Rent expenses reached RON 27.5 million for the year ended 31 December 2016, compared with RON 22.5 million for the year ended 31 December 2015, marking an increase of 22.0%. Rent expenses reached RON 22.5 million for the year ended 31 December 2015, compared with RON 20.4 million for the year ended 31 December 2014, marking an increase of 10.7%. The reduction of the rent expense to 6.6% of restaurant sales for the year ended 31 December 2016 from 6.8% of sales for the year ended 31 December 2015 and further from 7.8% of sales for the year ended 31 December 2014, was mainly due to the fixed component of our rent contracts for some restaurants, which increased much slower than the increase of our sales generated by those restaurants.

Royalties

Royalty expenses are the contractual obligations that we pay Yum! for the right to operate the KFC brand in Romania and in the Republic of Moldova. These expenses are set by contract at 6% of sales and are paid on a monthly basis.

Royalty expenses reached RON 24.7 million for the year ended 31 December 2016, compared with RON 19.4 million for the year ended 31 December 2015, representing an annual increase of 27.2% and compared to RON 15.4 million for the year ended 31 December 2014, representing an annual increase of 25.8%. During the entire 2014-2016 period, royalty expenses represented 6% of restaurant sales, which is in line with our contractual obligations towards Yum! (royalties for KFC Moldova restaurant being mapped in rent expenses).

Advertising

Advertising expenses cover all marketing activities that are aimed at supporting KFC brand awareness in general and restaurant sales in particular. We are obliged by Yum! to spend at least 5% of our annual restaurant sales on advertising activities each year and should we fail to spend this amount, we are obliged to pay Yum! the difference not spent.

Advertising expenses reached RON 20.7 million for the year ended 31 December 2016, compared with RON 16.7 million for the year ended 31 December 2015, representing an annual increase of 24.1% and compared to RON 13.2 million for the year ended 31 December 2014, representing an annual increase of 26.8%. The advertising expenses stood at approximately 5.0% of restaurant sales for the entire 2014-2016 period, which is in line with our contractual obligations towards Yum!.

Other operating expenses

Other operating expenses include all other expenses that are incurred at restaurant level, of which the more important categories are utilities, third-party expenses, maintenance & repairs, small-wares and cleaning supplies. Some of these expenses may be partly influenced by the level of sales (such as utilities, third-party expenses and cleaning supplies), while other categories are mainly influenced by the restaurant development and remodelling activities (such as maintenance & repairs and small-wares).

All data in RON'000 unless otherwise stated	2014	2015	2016	2015	2016	2014	2015	2016
				Annual change		% of Restaurant sales		
Third-party expenses	6,193	7,501	9,330	21.1%	24.4%	2.4%	2.3%	2.2%
Utilities	7,387	7,893	8,721	6.8%	10.5%	2.8%	2.4%	2.1%
Maintenance & Repairs	2,542	2,978	3,906	17.2%	31.2%	1.0%	0.9%	0.9%
Small-wares	762	1,784	2,725	134.1%	52.7%	0.3%	0.5%	0.7%
Cleaning Supplies	1,207	1,938	2,535	60.6%	30.8%	0.5%	0.6%	0.6%
Other items	1,259	2,471	3,096	96.3%	25.3%	0.5%	0.7%	0.7%
Total Other operating expenses, net	**19,350**	**24,565**	**30,313**	**27.0%**	**23.4%**	**7.4%**	**7.4%**	**7.3%**

Source: USFN (Romania) Annual Financial Statements

Other operating expenses reached RON 30.3 million for the year ended 31 December 2016, compared with RON 24.6 million for the year ended 31 December 2015, representing an increase of 23.4%. The slight reduction of these expenses to 7.3% of restaurant sales for the year ended 31 December 2016 from 7.4% of sales for the year ended 31 December 2015 was mainly due to greater operational efficiency of the existing restaurants (supported by the faster sales growth), which was partly offset by the normally higher expenses of the new restaurants (those opened after 1 January 2015).

Other operating expenses reached RON 24.6 million for the year ended 31 December 2015, compared with RON 19.4 million for the year ended 31 December 2014, representing an increase of 27.0%. The share of these expenses in total restaurant sales reached 7.4% for the year ended 31 December 2015, similar to the level recorded for the year ended 31 December 2014. During the year 2015, our existing restaurants improved their operational performance (with other operational expenses growing slower than sales), while the new restaurants opened after 1 January 2014 incurred larger expenses, due mainly to the pre-opening costs (various expenses and small-value items that do not qualify for fixed asset treatment).

Depreciation and amortisation

The majority of our assets are represented by the tangible and intangible investments in our restaurants, such as leasehold improvements, kitchen equipment, furniture, IT technology (both hardware and software), as well as the opening fees payable to Yum!. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows: leasehold improvements – 10 years, computers and IT equipment - 3 to 5 years, vehicles - 5 years, other property, plant and equipment - 2 to 10 years.

Depreciation and amortisation expenses reached RON 9.23 million for the year ended 31 December 2016, compared with RON 7.83 million for the year ended 31 December 2015, representing an increase of 17.9%. As a result, depreciation expense as percentage of sales decreased to 2.2% for the year ended 31 December 2016 from 2.4% for the year ended 31 December 2015. The 17.9% increase in the depreciation and amortisation expenses during the year 2016 was mainly due to the opening of 12 new restaurants between 1 January 2015 and 31 December 2016 and to a lesser extent by the investment in remodelling of the existing restaurants.

Depreciation and amortisation expenses reached RON 7.83 million for the year ended 31 December 2015, compared with RON 8.24 million for the year ended 31 December 2014, representing a decrease of 4.9%. As a result, depreciation and amortisation expenses as percentage of sales decreased to 2.4% for the year ended 31 December 2015 from 3.1% for the year ended 31 December 2014. The 4.9% decrease in the depreciation and amortisation expenses during the year 2015 was mainly due to the lower depreciation and amortisation expenses for the restaurants in operation before 1 January 2014, which was partly offset by the depreciation and amortisation expenses of the 7 net restaurants that were opened between 1 January 2014 and 31 December 2015.

Restaurant operating profit

The restaurant operating profit reached RON 78.2 million for the year ended 31 December 2016, compared with RON 65.3 million for the year ended 31 December 2015, representing an increase of 19.8%. As a result, restaurant operating profit as percentage of sales reached 18.7% for the year ended 31 December 2016 from 19.8% for the year ended 31 December 2015, representing a 1.0 percentage point decrease. This decrease was mainly triggered by the faster increase of the payroll and employee benefits expenses (+1.4 percentage points increase in restaurant sales) and to a lesser extent by the higher food and materials expenses (+0.4 percentage points increase in restaurant sales), as explained above.

The restaurant operating profit reached RON 65.3 million for the year ended 31 December 2015, compared with RON 46.4 million for the year ended 31 December 2014, representing an increase of 40.6%. As a result, restaurant operating profit as percentage of sales reached 19.8% for the year ended 31 December 2015 from 17.7% for the year ended 31 December 2014, representing a 2.0 percentage point increase. This increase was mainly due to the slower growth in the rent expenses (0.9 percentage points decrease in restaurant sales) and depreciation expenses (0.8 percentage points decrease in restaurant sales) and to a lesser extent by the slower growth in food and materials expenses (0.3 percentage points decrease in restaurant sales), as explained above.

General & Administrative (G&A)

The G&A expenses include all costs incurred at the head-office level with the management of the company, including the management of the restaurant network. The main expense categories are payroll and employee benefits, third-party expenses, depreciation and amortisation expenses, rent expenses and banking charges.

The G&A expenses reached RON 23.0 million for the year ended 31 December 2016, compared with RON 16.1 million for the year ended 31 December 2015, representing an increase of 42.4%. As a result, G&A expenses as percentage of sales reached 5.5% for the year ended 31 December 2016 from 4.9% for the year ended 31 December 2015, representing a 0.6 percentage point increase. The 42.4% annual increase in the G&A expenses was mainly due to higher payroll expenses, driven by additional staff hired to support the operational and training activities at the restaurant level, as well as by higher third-party expenses.

The G&A expenses reached RON 16.1 million for the year ended 31 December 2015, compared with RON 15.3 million for the year ended 31 December 2014, representing an increase of 5.4%. As a result, G&A expenses as percentage of sales reached 4.9% for the year ended 31 December 2015 from 5.8% for the year ended 31 December 2014, representing a 1.0 percentage point decrease. The 5.4% annual increase in the G&A expenses was mainly due to higher payroll expenses, driven by the adjustments to the head office staff salaries.

EBITDA

EBITDA reached RON 65.1 million for the year ended 31 December 2016, compared with RON 57.5 million for the year ended 31 December 2015, representing an increase of 13.2%. As a result, EBITDA margin reached 15.6% for the year ended 31 December 2016 compared with 17.4% for the year ended 31 December 2015, representing a 1.8 percentage point decrease. This decrease was mainly triggered by the higher increase of the restaurant operating expenses, excluding depreciation and impairment expenses (1.2 percentage points increase in restaurant sales) as well as to a faster increase of the G&A expenses (0.6 percentage points increase in restaurant sales), as explained above.

EBITDA reached RON 57.5 million for the year ended 31 December 2015, compared with RON 39.9 million for the year ended 31 December 2014, representing an increase of 44.2%. As a result, EBITDA margin reached 17.4% for the year ended 31 December 2015 compared with 15.2% for the year ended 31 December 2014, representing a 2.2 percentage point increase. This increase was mainly triggered by the slower increase of the restaurant operating expenses, excluding depreciation and impairment expenses (1.3 percentage points decrease in restaurant sales) as well as to a slower increase of the G&A expenses (1.0 percentage points decrease in restaurant sales), as explained above.

Operating profit

The operating profit reached RON 55.2 million for the year ended 31 December 2016, compared with RON 49.1 million for the year ended 31 December 2015, representing an increase of 12.4%. As a result, operating profit as percentage of sales reached 13.2% for the year ended 31 December 2016 from 14.9% for the year ended 31 December 2015, representing a 1.7 percentage point decrease. This decrease was mainly triggered by the slower increase of the restaurant operating profit (1.0 percentage point decrease in restaurant sales), as well as to a faster increase of the G&A expenses (0.6 percentage points increase in restaurant sales), as explained above.

The operating profit reached RON 49.1 million for the year ended 31 December 2015, compared with RON 31.1 million for the year ended 31 December 2014, an increase of 57.8%. As a result, operating profit as percentage of sales reached 14.9% for the year ended 31 December 2015 from 11.9% for the year ended 31 December 2014, representing a 3.0 percentage point increase. This increase was mainly triggered by the faster increase of the restaurant operating profit (2.0 percentage points increase in restaurant sales) as well as to a slower increase of the G&A expenses (1.0 percentage points decrease in restaurant sales), as explained above.

Finance result

Finance expenses include mainly the interest expense associated with the interest-bearing liabilities that we have contracted in order to finance our activity and the net foreign exchange result generated by our operational and financial operations (both realized and unrealized). Finance revenues include the interest revenues we receive from placing our excess cash liquidities into short-term bank deposits.

Finance expenses reached RON 825 thousand for the year ended 31 December 2016, compared with RON 531 thousand for the year ended 31 December 2015, representing an increase of 55.4%. This increase was mainly due to the financing cost associated with the opening of 12 new restaurants between 1 January 2015 and 31 December 2016, but also to a higher foreign exchange loss generated by the slight depreciation of the RON against the EUR during the year 2016.

Finance income reached RON 95 thousand for the year ended 31 December 2016, compared with RON 398 thousand for the year ended 31 December 2015, representing a decrease of 76.1%. This decrease was mainly due to lower income revenues from placing our excess cash liquidities into short-term bank deposits.

Finance expenses reached RON 531 thousand for the year ended 31 December 2015, compared with RON 978 thousand for the year ended 31 December 2014, representing a decrease of 45.7%. This decrease was mainly due to the significantly lower foreign exchange losses as compared to the previous year.

Finance income reached RON 398 thousand for the year ended 31 December 2015, compared with RON 240 thousand for the year ended 31 December 2014, representing an increase of 65.8%. This increase was mainly due to higher income revenues from placing our excess cash liquidities into short-term bank deposits.

Overall, the net finance result reached RON 730 thousand for the year ended 31 December 2016 (representing 0.2% of sales), compared with RON 133 thousand for the year ended 31 December 2015 (representing 0.04% of sales) and RON 738 thousand for the year ended 31 December 2014 (representing 0.3% of sales).

Profit before tax

Profit before tax reached RON 54.5 million for the year ended 31 December 2016, compared with RON 49.0 million for the year ended 31 December 2015, representing an increase of 11.2%. As a result, profit before tax as percentage of sales reached 13.1% for the year ended 31 December 2016 from 14.9% for the year ended 31 December 2015, representing a 1.8 percentage point decrease. This decrease was virtually due to the reduction in the operating profit margin by 1.7 percentage points of sales, as explained above.

Profit before tax reached RON 49.0 million for the year ended 31 December 2015, compared with RON 30.4 million for the year ended 31 December 2014, representing an increase of 61.2%. As a result, profit before tax as percentage of sales reached 14.9% for the year ended 31 December 2015 from 11.6% for the year ended 31 December 2014, representing a 3.2 percentage point increase. This increase was virtually due to the growth in the operating profit margin by 3.0 percentage points of sales, as explained above.

Income tax expense

Income tax expense reached RON 5.78 million for the year ended 31 December 2016, compared with RON 7.25 million for the year ended 31 December 2015, representing a decrease of 20.2%. The effective tax rate stood at 10.6% for the year ended 31 December 2016 compared to 14.8% for the year ended 31 December 2015. The drop of the effective tax rate was due to the release of a deferred tax liability of RON 1.89 million generated by the change in the tax legislation starting January 2017. At the same time, we have further reduced our income tax expense by using a sponsorship tax credit in amount of RON 1.63 million for the year ended 31 December 2016 and RON 1.02 million the year ended 31 December 2015.

Income tax expense reached RON 7.25 million for the year ended 31 December 2015, compared with RON 4.53 million for the year ended 31 December 2014, representing an increase of 60.1%. The effective tax rate stood at 14.8% for the year ended 31 December 2015 compared to 14.9% for the year ended 31 December 2014. Our effective tax rate has been below the statutory income tax level of 16.0% in both years as we have used a sponsorship tax credit in amount of RON 1.02 million for the year ended 31 December 2015 and RON 0.70 million for the year ended 31 December 2014.

Profit after tax

Profit after tax reached RON 48.7 million for the year ended 31 December 2016, compared with RON 41.8 million for the year ended 31 December 2015, representing an increase of 16.7%. As a result, profit after tax as percentage of sales reached 11.7% for the year ended 31 December 2016 from 12.7% for the year ended 31 December 2015, representing a 1.0 percentage point decrease.

Profit after tax reached RON 41.8 million for the year ended 31 December 2015, compared with RON 25.9 million for the year ended 31 December 2014, representing an increase of 61.4%. As a result, profit after tax as percentage of sales reached 12.7% for the year ended 31 December 2015 from 9.9% for the year ended 31 December 2014, representing a 2.8 percentage point increase.

Liquidity and Capital Resources

Historically, we have used two major sources of liquidity: the operating cash flows and bank financing. The operating cash flows have been mainly directed to support the general working capital requirements of the Group and the payment of dividends, while bank loans have been used mostly to finance our development plan.

Our cash and cash equivalents reached RON 49.0 million as at 31 December 2016, compared to RON 43.6 million as at 31 December 2015 and RON 28.9 million as at 31 December 2014. In addition, USFN (Romania) together with ARS (Romania) had available RON 50.3 million of undrawn committed borrowing facilities as at 31 December 2016, compared to RON 59.9 million as at 31 December 2015 and RON 67.7 million as at 31 December 2014.

We will continue to make significant investments in the following years in the growth of our business, primarily through opening new restaurants, but also by investing in existing restaurants.

Consolidated statement of cash flows

The following table sets forth, for the years ended December 31, 2014, 2015 and 2016, our consolidated cash flows from operating activities, investing activities and financing activities.

	Year ended 31 December		
All data are in RON'000 unless otherwise stated	**2014**	**2015**	**2016**
Operating activities			
Profit before tax	30,393	49,005	54,516
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	8,044	7,628	8,977
Amortisation and impairment of intangible assets	675	698	847
Net foreign exchange differences	(116)	181	60
Gain on disposal of property, plant and equipment	740	(10)	92
Finance income	(240)	(398)	(95)
Finance costs	555	424	536
Movement in current assets allowances	165	12	5
Movements in provisions, pensions and government grants	(1,226)	(139)	-
Working capital adjustments:			
Decrease/(increase) in trade and other receivables and prepayments	(553)	(989)	(4,574)
Decrease/(increase) in inventories	(652)	(1,570)	(27)
Increase/(decrease) in trade and other payables	8,035	459	8,655
Interest received	192	342	31
Interest paid	(561)	(453)	(561)
Income tax paid	(3,452)	(6,698)	(7,619)
Net cash flows from operating activities	**41,999**	**48,491**	**60,843**
Investing activities			
Proceeds from sale of property, plant and equipment	2	27	-
Purchase of intangible assets	(430)	(1,246)	(2,916)
Purchase of property, plant and equipment	(4,108)	(10,935)	(15,536)
Net cash flows used in investing activities	**(4,536)**	**(12,154)**	**(18,452)**

Financing activities			
Payment of finance lease liabilities	(155)	(185)	(284)
Proceeds from borrowings	3,382	10,993	11,704
Repayment of borrowings	(7,531)	(7,730)	(7,480)
Dividends paid to equity holders of the parent	(12,664)	(24,483)	(40,961)
Dividends paid to non-controlling interests	(133)	(153)	(84)
Net cash flows from/(used in) financing activities	**(17,101)**	**(21,558)**	**(37,105)**
Net increase in cash and cash equivalents	20,362	14,779	5,286
Net foreign exchange difference	(10)	(92)	83
Cash and cash equivalents at 1 January	8,560	28,912	43,599
Cash and cash equivalents at 31 December	**28,912**	**43,599**	**48,968**

Source: USFN (Romania) Annual Financial Statements

Cash flows from operating activities

Net cash flows from operating activities reached RON 60.8 million for the year ended 31 December 2016, compared to RON 48.5 million for the year ended 31 December 2015, representing an increase of 25.5%. The main drivers of the increase in the net cash flows from operating activities by 25.5%, or RON 12.4 million, were the increase in the trade and other payables (by RON 8.20 million) and the increase in EBITDA (by RON 7.61 million).

Net cash flows from operating activities reached RON 48.5 million for the year ended 31 December 2015, compared to RON 42.0 million for the year ended 31 December 2014, representing an increase of 15.5%. The main driver of the increase in the net cash flows from operating activities by 15.5%, or RON 6.49 million, was the increase in EBTDA (by RON 17.6 million), which was partly offset by a decrease in the variance of trade and other payables (RON 7.58 million).

The company operates with negative net working capital most of the time, which leads to an increase of the available cash flow from operations on the back of higher sales. This negative net working capital is explained by the fact that most of our sales are collected immediately via cash payments or card payments from customers, our inventory levels are held generally for up to two weeks of sales, while payment terms to suppliers average generally from 45 to 60 days.

Cash flows from investing activities

Net cash flows used in investing activities reached RON 18.5 million for the year ended 31 December 2016, compared to RON 12.2 million for the year ended 31 December 2015, representing an increase of 51.8%. This increase was due to the expansion of our restaurant development plan, which led to the opening of 6 new restaurants during the year 2016 and the significant investments in the opening of other restaurants planned for the year 2017.

Net cash flows used in investing activities reached RON 12.2 million for the year ended 31 December 2015, compared to RON 4.54 million for the year ended 31 December 2014, representing an increase of 168%. This increase was due to the acceleration of our restaurant development plan, which materialised in the opening of 6 new restaurants during the year 2015 compared to only 2 in the preceding year.

Cash flows from financing activities

Net cash flows used in financing activities reached RON 37.1 million for the year ended 31 December 2016, compared to RON 21.6 million for the year ended 31 December 2015, representing an increase of 72.1%. Within the net cash flows from the financing activities, the main uses were for dividends paid to the shareholders (RON 41.0 million) and repayment of bank borrowings (RON 7.5 million) for restaurants opened in the previous years, while the main source were drawings from bank borrowings (RON 11.7 million) for financing the restaurants opened during the year 2016 or to be opened during the year 2017. This increase in the cash flows used in the financing activities of 72.1%, or RON 15.5 million, was principally generated by the increase in the payments of the dividends to shareholders (by RON 16.5 million) out of the profits corresponding to the year 2015.

Net cash flows used in financing activities reached RON 21.6 million for the year ended 31 December 2015, compared to RON 17.1 million for the year ended 31 December 2014, representing an increase of 26.1%. Within the net cash flows from financing activities, the main uses were for dividends paid to the shareholders (RON 24.5 million) and repayment of bank borrowings (RON 7.7 million) for restaurants opened in the previous years, while the main source were drawings from bank borrowings (RON 11.0 million) for financing the restaurants opened during the year 2015 or to be opened during the year 2016. This increase in the cash flows used in financing activities of 26.1%, or RON 4.6 million, was due to the increase in the payments of the dividends to shareholders (by RON 11.8 million) out of the year 2014 profits, which were partly offset by additional bank borrowings (by RON 7.6 million) for the financing of the restaurants opened during the year 2015 or to be opened during the year 2016.

Indebtedness

The following table sets forth, for the years ended December 31, 2014, 2015 and 2016, our consolidated interest-bearing liabilities.

All data are in RON'000 unless otherwise stated	31-Dec-14	31-Dec-15	31-Dec-16
Interest-bearing loans and borrowings - long-term*	8,773	11,787	14,630
Interest-bearing loans and borrowings - short-term*	6,378	6,634	7,796
Total interest-bearing liabilities*	**15,151**	**18,421**	**22,426**
Cash and short-term deposits*	28,912	43,599	48,968
Total net debt	**(13,761)**	**(25,178)**	**(26,542)**

**Source: USFN (Romania) Annual Financial Statements*

Total interest-bearing liabilities reached RON 22.4 million as at 31 December 2016, compared to RON 18.4 million as at 31 December 2015 and RON 15.2 million as at 31 December 2014. The increase of RON 4.0 million during the year 2016 and of RON 3.3 million during the year 2015 were mainly due to the new borrowings drawn from the credit line with Alpha Bank Romania for financing the opening of new restaurants, which exceeded the repayment of borrowings for financing the opening of the restaurants opened in the previous years.

Total net debt reached a negative value of RON 26.5 million as at 31 December 2016, compared to a negative value of RON 25.2 million as at 31 December 2015 and a negative value of RON 13.8 million as at 31 December 2014. This evolution of net debt was mainly due to our liquidity position increasing faster than bank borrowings.

USFN (Romania) and ARS (Romania) have contracted a credit facility from Alpha Bank Romania with a total limit of EUR 21 million (approximately RON 95.4 million as at 31 December 2016), which is split in three sub-limits, as follows: credit facility for the development of new locations, issuance of bank guarantee letters and credit card. The loan is secured with property, plant and equipment of each restaurant location for which the credit line has been utilised.

ARS (Romania) – results of operations for the years ended December 31, 2016, 2015 and 2014

Statement of comprehensive income

The following table presents the profit and loss account of ARS (Romania) for the years ended 31 December 2014, 2015 and 2016.

All data are in RON'000 unless	Year ended 31 December			Annual change		Percentage of Sales		
otherwise stated	2014	2015	2016	2015	2016	2014	2015	2016
Restaurant sales	**63,130**	**75,867**	**96,940**	**20.2%**	**27.8%**	**100.0%**	**100.0%**	**100.0%**
Restaurant expenses								
Food and materials	16,881	19,718	26,107	16.8%	32.4%	26.7%	26.0%	26.9%
Payroll and employee benefits	12,001	14,622	22,383	21.8%	53.1%	19.0%	19.3%	23.1%
Rent	6,081	6,476	8,027	6.5%	23.9%	9.6%	8.5%	8.3%
Royalties	3,697	4,448	5,702	20.3%	28.2%	5.9%	5.9%	5.9%
Advertising	3,590	4,245	5,785	18.2%	36.3%	5.7%	5.6%	6.0%
Other operating expenses	7,514	8,339	11,659	11.0%	39.8%	11.9%	11.0%	12.0%
Depreciation	2,188	2,114	2,666	-3.4%	26.1%	3.5%	2.8%	2.8%
Restaurant operating profit	**11,178**	**15,905**	**14,611**	**42.3%**	**-8.1%**	**17.7%**	**21.0%**	**15.1%**
G&A expenses	6,094	7,751	8,982	27.2%	15.9%	9.7%	10.2%	9.3%
Operating profit	**5,084**	**8,154**	**5,629**	**60.4%**	**-31.0%**	**8.1%**	**10.7%**	**5.8%**
Finance costs	309	482	213	56.0%	-55.8%	0.5%	0.6%	0.2%
Finance income	7	19	127	171.4%	568.4%	0.0%	0.0%	0.1%
Profit before tax from continuing operations	**4,782**	**7,691**	**5,543**	**60.8%**	**-27.9%**	**7.6%**	**10.1%**	**5.7%**

All data are in RON'000 unless otherwise stated	Year ended 31 December			Annual change		Percentage of Sales		
	2014	**2015**	**2016**	**2015**	**2016**	**2014**	**2015**	**2016**
Income tax expense	667	1,170	361	75.4%	-69.1%	1.1%	1.5%	0.4%
Profit for the year from continuing operations	**4,115**	**6,521**	**5,182**	**58.5%**	**-20.5%**	**6.5%**	**8.6%**	**5.3%**
Discontinued operations								
Profit/(loss) after tax for the year from discontinued operations	-595	-397	-1,953	-33.3%	391.9%	-0.9%	-0.5%	-2.0%
Profit for the year	**3,520**	**6,124**	**3,229**	**74.0%**	**-47.3%**	**5.6%**	**8.1%**	**3.3%**
EBITDA calculation								
Operating profit from continuing operations	**5,084**	**8,154**	**5,629**	**60.4%**	**-31.0%**	**8.1%**	**10.7%**	**5.8%**
Adjustments to bridge operating profit to EBITDA								
Depreciation and amortization	2,188	2,114	2,666	-3.4%	26.1%	3.5%	2.8%	2.8%
Depreciation and amortization included in general and administration expenses	151	133	137	-11.9%	3.0%	0.2%	0.2%	0.1%
EBITDA from continuing operations	**7,423**	**10,401**	**8,432**	**40.1%**	**-18.9%**	**11.8%**	**13.7%**	**8.7%**
Operating profit from discontinued operations	**-708**	**-477**	**-2,141**	**-32.6%**	**348.8%**	**-1.1%**	**-0.6%**	**-2.2%**
Adjustments to bridge operating profit to EBITDA								
Depreciation and amortization	131	171	382	30.5%	123.4%	0.2%	0.2%	0.4%
Impairment			966			0.0%	0.0%	1.0%
EBITDA from discontinued operations	**-577**	**-306**	**-793**	**-47.0%**	**159.2%**	**-0.9%**	**-0.4%**	**-0.8%**
EBITDA	**6,846**	**10,095**	**7,639**	**47.5%**	**-24.3%**	**10.8%**	**13.3%**	**7.9%**

Source: ARS (Romania) Annual Financial Statements

Selected operating data

All data are in RON'000 unless otherwise stated	Year ended 31 December			Annual change	
	2014	**2015**	**2016**	**2015**	**2016**
Like-for-like performance					
Like-for-like sales growth				10.0%	13.0%
Pizza Hut own restaurant count					
Restaurants at beginning of period	23	22	25		
Net additions	(1)*	3	7		
Restaurants at end of period	**22**	**25**	**32**		

*Source: Management data. *) A Pizza Hut Delivery restaurant was subfranchised during the year 2014.*

Revenues

The revenues of ARS (Romania) are represented by our restaurant sales in both Pizza Hut Dine-in and Pizza Hut Delivery units.

Restaurant sales reached RON 96.9 million for the year ended 31 December 2016, compared with RON 75.9 million for the year ended 31 December 2015, representing an increase of 27.8%. This growth was almost equally driven by the performance of the 22 restaurants that were already in operation on 1 January 2015, whose cumulated sales increased by 13.0%, and respectively by the performance of the 11 net new restaurants that have been opened between 1 January 2015 and 31 December 2016.

Restaurant sales reached RON 75.9 million for the year ended 31 December 2015, compared with RON 63.1 million for the year ended 31 December 2014, representing an increase of 20.2%. This growth was equally driven by the performance of the 22 restaurants operated by us that were already in operation on 1 January 2014, whose cumulated sales increased by 10%, and respectively by the performance of the 4 new net restaurants that have been opened between 1 January 2014 and 31 December 2015.

Although we have increased our selling prices both in 2015 and 2016, the impact on the overall sales growth was not significant, as the key drivers of growth were the increase in transactions of the like-for-like restaurants and the opening of new restaurants, as detailed above.

Food and materials expenses

Food and materials expenses include the cost of all raw materials, finished products and packaging that were included in the products sold to our customers. The main items in this category include flour, various types of cheeses, various pizza topping ingredients (pepperoni, ham, mushrooms, vegetables, tomato paste), beverages provided by the Coca-Cola Romania and pizza boxes. Based on our product pricing policy, we monitor the evolution of this expense category mainly as percentage of restaurant sales.

Food and materials expenses reached RON 26.1 million for the year ended 31 December 2016, compared with RON 19.7 million for the year ended 31 December 2015, representing an increase of 32.4%. The increase of this expense category to 26.9% of restaurant sales for the year ended 31 December 2016 from 26.0% of sales for the year ended 31 December 2015, or by 0.9 percentage points, was mainly due to discontinuation of the in-house warehousing and logistics operations and the externalization of these services to a third party (Havi (Romania)).

Food and materials expenses reached RON 19.7 million, or 26.0% of sales, for the year ended 31 December 2015, compared with RON 16.9 million, or 26.7% of sales, for the year ended 31 December 2014, representing an increase of 16.8%. The reduction as a percentage of sales in our cost of sales during the year 2015 was mainly due to the slightly faster increase of our selling prices than the prices we paid for our food supplies.

Payroll and employee benefits

Payroll and employee benefits include the gross salaries, gross bonuses and related company contribution taxes that we pay for our restaurant employees. All employees at the restaurant level are hired on various shifts (full time and part time) and are paid a fixed base salary. Employee benefits consist mainly of performance related bonuses, which are paid to the restaurant's management team (restaurant general manager, deputy managers, assistant managers) on a quarterly basis, based on a comprehensive evaluation that takes into account a number of quantitative and qualitative criteria, among which the performance of restaurant sales and profitability compared with the previous year and the budgeted levels.

Payroll and employee benefits expenses reached RON 22.4 million for the year ended 31 December 2016, compared with RON 14.6 million for the year ended 31 December 2015, representing an increase of 53.1%. This expense category reached 23.1% of restaurant sales in 2016 compared with 19.3% in 2015, representing a 3.8 percentage point increase. The faster increase of this expense category compared to the increase in restaurant sales was mainly due to the significant adjustments in the salaries that we pay to our restaurant staff, following the increase of the economy's minimum mandatory gross salary from RON 1,050 to RON 1,250 starting May 2016, representing a 19% increase, and further to RON 1,450 starting February 2017, representing an 11% increase. In anticipation of this regulatory salary increase, we significantly increased the salaries of our restaurant staff during the year 2016, by an average of 21% in February 2016 and by another 13% in November 2016.

Payroll and employee benefits expenses reached RON 14.6 million for the year ended 31 December 2015, compared with RON 12.0 million for the year ended 31 December 2014, representing an increase of 21.8%. This expense category reached 19.3% of restaurant sales in 2015 compared with 19.0% in 2014, representing a 0.3 percentage point increase. This relatively stable weight of payroll and employee benefits expenses as percentage of restaurant sales was due to a number of factors, among which the most important were: increase of the number of employees in the restaurants, increase of base gross salaries paid to the employees, as well as a significant increase in the value of bonuses paid, in correlation with the strong improvement of our restaurants' profitability during the year 2015.

Rent

Rent comprises costs of leasing the sites in which we operate our restaurants. All except one of our Pizza Hut Dine-in and Pizza Hut Delivery restaurants operate in leased locations. Rent terms are negotiated on an individual basis for each site hence, there are significant differences between rent terms of various sites. In terms of rent levels, most of our contracts provide for a combination of a fixed rent (payable when sales are below a pre-agreed certain level) and a variable rent, calculated as a certain percentage of sales (payable when sales exceed the pre-agreed level). We also have contracts that provide for the payment of fixed rents only.

Rent expenses reached RON 8.03 million for the year ended 31 December 2016, compared with RON 6.48 million for the year ended 31 December 2015, representing an increase of 23.9%. Rent expenses reached RON 6.48 million for the year ended 31 December 2015, compared with RON 6.08 million for the year ended 31 December 2014, representing an increase of 6.5%. The reduction of the rent expense to 8.3% of restaurant sales for the year ended 31 December 2016 from 8.5% of sales for the year ended 31 December 2015 and 9.6% of sales for the year ended 31 December 2014, was mainly due to the fixed component of our rent contracts for some restaurants, which increased much slower than the increase of sales of those restaurants.

Royalties

Royalty expenses are the contractual obligations that we pay to Yum! for the right to operate the Pizza Hut brand in Romania. These expenses are set by contract at 6% of sales for Pizza Hut Dine-In restaurants and 5% for some Pizza Hut Delivery restaurants for the initial term and 6% for the renewal term for all Pizza Hut Delivery restaurants. They are paid on a monthly basis.

Royalty expenses reached RON 5.70 million for the year ended 31 December 2016, compared with RON 4.45 million for the year ended 31 December 2015, representing an annual increase of 28.2% and compared to RON 3.70 million for the year ended 31 December 2014, representing an annual increase of 20.3%. During the entire 2014-2016 period, royalty expenses stood at 5.9% of restaurant sales, which is in line with our contractual obligations towards Yum!.

Advertising

Advertising expenses cover all marketing activities aimed at supporting Pizza Hut brand awareness in general and restaurant sales in particular. We are obliged by Yum! to spend each year at least 5% of our annual restaurant sales on advertising activities and should we fail to spend this amount, we are obliged to pay Yum! the difference not spent.

Advertising expenses reached RON 5.79 million for the year ended 31 December 2016, compared with RON 4.25 million for the year ended 31 December 2015, representing an annual increase of 36.3% and compared to RON 3.59 million for the year ended 31 December 2014, representing an annual increase of 18.2%. The advertising expenses stood at approximately 6.0% of restaurant sales for the year ended 31 December 2016, compared to 5.6% for the year ended 31 December 2015 and 5.7% for the year ended 31 December 2016, higher than our contractual obligations towards Yum!, due to our decision to invest more in marketing activities in order to support brand awareness and generate higher sales.

Other operating expenses

Other operating expenses include all other expenses incurred at the restaurant level, of which the more important categories are utilities, third-party expenses, maintenance & repairs, small-wares and cleaning supplies. Some of these expenses may be partly influenced by the level of sales (such as utilities, third-party expenses and cleaning supplies), while other categories are mainly influenced by the restaurant development and remodelling activities (such as maintenance & repairs and small-wares).

All data in RON'000 unless otherwise stated	**2014**	**2015**	**2016**	**2015**	**2016**	**2014**	**2015**	**2016**
				Annual change		% of Restaurant sales		
Utilities	3,627	3,896	4,192	7.4%	7.6%	5.7%	5.1%	4.3%
Third-party expenses	1,579	1,775	2,734	12.4%	54.0%	2.5%	2.3%	2.8%
Smallwares	262	1,217	1,829	364.5%	50.3%	0.4%	1.6%	1.9%
Maintenance & Repairs	990	790	1,266	-20.2%	60.3%	1.6%	1.0%	1.3%
Other items	1,056	661	1,638	-37.4%	147.8%	1.7%	0.9%	1.7%
Total Other operating expenses, net	**7,514**	**8,339**	**11,659**	**11.0%**	**39.8%**	**11.9%**	**11.0%**	**12.0%**

Source: ARS (Romania) Annual Financial Statements

Other operating expenses reached RON 11.7 million for the year ended 31 December 2016, compared with RON 8.34 million for the year ended 31 December 2015, representing an increase of 39.8%. The increase of these expenses to 12.0% of restaurant sales for the year ended 31 December 2016 from 11.0% of sales for the year ended 31 December 2015 was mainly due to higher expenses of the new restaurants (those opened after 1 January 2015), which offset a modest improvement of efficiency of the comparable restaurants (supported by the faster sales growth).

Other operating expenses reached RON 8.34 million for the year ended 31 December 2015, compared with RON 7.51 million for the year ended 31 December 2014, representing an increase of 11.0%. The share of these expenses in total restaurant revenues decreased to 11.0% for the year ended 31 December 2015, compared to 11.9% for the year ended 31 December 2014, mainly due to the improved operational performance of the comparable restaurants (with other operational expenses growing slower than sales), with a smaller impact coming from the new restaurants opened after 1 January 2014, due mainly to the pre-opening costs.

Depreciation and Amortisation

The majority of our assets are represented by the tangible and intangible investments in our restaurants, such as leasehold improvements, kitchen equipment, furniture, IT technology (both hardware and software), as well as the opening fees payable to Yum!. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows: leasehold improvements – 10 years, computers and IT equipment - 3 to 5 years, vehicles - 5 years, other property, plant and equipment - 2 to 10 years.

Depreciation and amortisation expenses reached RON 2.67 million for the year ended 31 December 2016, compared with RON 2.11 million for the year ended 31 December 2015, representing an increase of 26.1%. As a result, depreciation and amortisation expenses as percentage of sales stood at 2.8% for the year ended 31 December 2016, the same level as for the year ended 31 December 2015. The 26.1% increase in the depreciation and amortisation expenses during the year 2016 was mainly due to the opening of 11 new restaurants between 1 January 2015 and 31 December 2016 and to a lesser extent by the investment in remodelling of the existing restaurants.

Depreciation and amortisation expenses reached RON 2.11 million for the year ended 31 December 2015, compared with RON 2.19 million for the year ended 31 December 2014, representing a decrease of 3.4%. As a result, depreciation and amortisation expenses as percentage of sales decreased to 2.8% for the year ended 31 December 2015 from 3.5% for the year ended 31 December 2014. The 3.4% decrease in the depreciation and amortisation expenses during the year 2015 was mainly due to the lower depreciation and amortisation expenses for the existing restaurants (those in operation before 1 January 2014), which was partly offset by the depreciation and amortisation expenses of the 4 restaurants that were opened between 1 January 2014 and 31 December 2015.

Restaurant operating profit

The restaurant operating profit reached RON 14.6 million for the year ended 31 December 2016, compared with RON 15.9 million for the year ended 31 December 2015, representing a decrease of 8.1%. As a result, restaurant operating profit as percentage of sales reached 15.1% for the year ended 31 December 2016 from 21.0% for the year ended 31 December 2015, representing a decrease of 5.9 percentage points. This decrease was mainly triggered by the faster increase of the payroll and employee benefits expenses (3.8 percentage points increase in restaurant sales) and to a lesser extent by the increase in other operating expenses (1.0 percentage points increase in restaurant sales) and food and materials expenses (0.9 percentage points increase in restaurant sales), as explained above.

The restaurant operating profit reached RON 15.9 million for the year ended 31 December 2015, compared with RON 11.2 million for the year ended 31 December 2014, representing an increase of 42.3%. As a result, restaurant operating profit as percentage of sales reached 21.0% for the year ended 31 December 2015 from 17.7% for the year ended 31 December 2014, representing an increase of 3.3 percentage points. This increase was mainly due to the slower growth in rent expenses (1.1 percentage points decrease in restaurant sales), other operational expenses (0.9 percentage points decrease in restaurant sales), food and materials expenses (0.7 percentage points decrease in restaurant sales) and depreciation expenses (0.7 percentage points decrease in restaurant sales).

General & Administrative (G&A)

The G&A expenses include all costs incurred at the head-office level with regards to the management of company, including the management of the restaurant network. The main expense categories are payroll and employee benefits, third-party expenses, depreciation and amortisation expenses, rent expenses and banking charges.

The G&A expenses reached RON 8.98 million for the year ended 31 December 2016, compared with RON 7.75 million for the year ended 31 December 2015, representing an increase of 15.9%. As a result, G&A expenses as percentage of sales reached 9.3% for the year ended 31 December 2016 from 10.2% for the year ended 31 December 2015, a 0.9 percentage point decrease. The 15.9% annual increase in the G&A expenses was mainly due to higher payroll expenses, driven by additional staff hired to support the operational and training activities at the restaurant level.

The G&A expenses reached RON 7.75 million for the year ended 31 December 2015, compared with RON 6.09 million for the year ended 31 December 2014, representing an increase of 27.2%. As a result, G&A expenses as percentage of sales reached 10.2% for the year ended 31 December 2015 from 9.7% for the year ended 31 December 2014, representing an increase of 0.5 percentage points. The 27.2% annual increase in the G&A expenses was mainly due to higher payroll expenses, driven by the adjustment of head office staff salaries.

EBITDA from continuing operations

EBITDA reached RON 8.43 million for the year ended 31 December 2016, compared with RON 10.4 million for the year ended 31 December 2015, representing a decrease of 18.9%. As a result, EBITDA margin reached 8.7% for the year ended 31 December 2016, compared with 13.7% for the year ended 31 December 2015, representing a 5.0 percentage point decrease. This decrease was mainly triggered by the higher increase of the restaurant operating expense, excluding depreciation and impairment expenses (5.9 percentage points increase in restaurant sales), which was partly offset by a slower increase of the G&A expenses (1.0 percentage point decrease in restaurant sales), as explained above.

EBITDA reached RON 10.4 million for the year ended 31 December 2015, compared with RON 7.42 million for the year ended 31 December 2014, representing an increase of 40.1%. As a result, EBITDA margin reached 13.7% for the year ended 31 December 2015, compared with 11.8% for the year ended 31 December 2014, representing a 1.9 percentage points increase. This increase was mainly triggered by the slower increase of the restaurant operating expense, excluding depreciation and impairment expenses (2.6 percentage points decrease in restaurant sales), which was partly offset by a faster increase of the G&A expenses (0.6 percentage points increase in restaurant sales), as explained above.

Operating profit

The operating profit reached RON 5.63 million for the year ended 31 December 2016, compared with RON 8.15 million for the year ended 31 December 2015, representing a decrease of 31.0%. As a result, operating profit as percentage of sales reached 5.8% for the year ended 31 December 2016 from 10.7% for the year ended 31 December 2015, representing a decrease of 4.9 percentage points. This decrease was mainly triggered by the decrease of the restaurant operating profit (5.9 percentage points decrease in restaurant sales), which was partly offset by a slower increase of the G&A expenses (1.0 percentage points decrease in restaurant sales), as explained above.

The operating profit reached RON 8.15 million for the year ended 31 December 2015, compared with RON 5.08 million for the year ended 31 December 2014, representing an increase of 60.4%. As a result, operating profit as percentage of sales reached 10.7% for the year ended 31 December 2015 from 8.1% for the year ended 31 December 2014, representing a 2.7 percentage points increase. This increase was mainly triggered by the faster increase of the restaurant operating profit (3.3 percentage points increase in restaurant sales), which was partly offset by a faster increase of the G&A expenses (0.6 percentage points decrease in restaurant sales), as explained above.

Finance result

Finance expenses include mainly the interest expense associated with the interest-bearing liabilities that we have contracted in order to finance our development activity and the net foreign exchange loss generated by our operational and financial operations (both realized and unrealized). Finance revenues include the interest revenues we receive from placing our excess cash liquidities into short-term bank deposits and the net foreign exchange gains generated by our operational and financial operations (both realized and unrealized).

Finance expenses reached RON 213 thousand for the year ended 31 December 2016, compared with RON 482 thousand for the year ended 31 December 2015, representing a decrease of 55.8%. This decrease was mainly due to the significant improvement in the net foreign exchange result generated by the depreciation of the RON against the EUR during the year 2016.

Finance income reached RON 127 thousand for the year ended 31 December 2016, compared with RON 19 thousand for the year ended 31 December 2015, representing an increase of 568%. This increase was mainly due to the existence of a net foreign exchange gain of RON 109 thousand in 2016 compared with a net loss of RON 385 thousand in the previous year.

Finance expenses reached RON 482 thousand for the year ended 31 December 2015, compared with RON 309 thousand for the year ended 31 December 2014, representing an increase of 56.0%. This increase was mainly due to the slightly higher net foreign exchange losses as compared to the previous year.

Finance income reached RON 19 thousand for the year ended 31 December 2015, compared with RON 7 thousand for the year ended 31 December 2014, representing an increase of 171%.

Overall, the net finance expense reached RON 86 thousand for the year ended 31 December 2016 (representing 0.1% of sales), compared with RON 463 thousand for the year ended 31 December 2015 (representing 0.6% of sales) and RON 302 thousand for the year ended 31 December 2014 (representing 0.5% of sales).

Profit before tax from continuing operations

Profit before tax from continuing operations reached RON 5.54 million for the year ended 31 December 2016, compared with RON 7.69 million for the year ended 31 December 2015, representing a decrease of 27.9%. As a result, profit before tax as percentage of sales reached 5.7% for the year ended 31 December 2016 from 10.1% for the year ended 31 December 2015, representing a 4.4 percentage point decrease. This decrease was virtually due to the reduction in the operating profit margin, by 4.9 percentage points of sales, as explained above.

Profit before tax from continuing operations reached RON 7.69 million for the year ended 31 December 2015, compared with RON 4.78 million for the year ended 31 December 2014, representing an increase of 60.8%. As a result, profit before tax as percentage of sales reached 10.1% for the year ended 31 December 2015 from 7.6% for the year ended 31 December 2014, representing a 2.6 percentage point increase. This increase was virtually due to the growth in the operating profit margin, by 2.7 percentage points of sales, as explained above.

Income tax expense

Income tax expense reached RON 0.36 million for the year ended 31 December 2016, compared with RON 1.17 million for the year ended 31 December 2015, representing a decrease of 69.1%. The effective tax rate stood at 6.5% for the year ended 31 December 2016 compared to 15.2% for the year ended 31 December 2015. The drop of the effective tax rate was due to the release of a deferred tax liability of RON 0.46 million generated by the change in the tax legislation starting January 2017. At the same time, we have further reduced our income tax expense by using a sponsorship tax credit in the amount of RON 0.16 million for the year ended 31 December 2016 and RON 0.20 million for the year ended 31 December 2015.

Income tax expense reached RON 1.17 million for the year ended 31 December 2015, compared with RON 0.67 million for the year ended 31 December 2014, representing an increase of 75.4%. The effective tax rate stood at 15.2% for the year ended 31 December 2015 compared to 13.9% for the year ended 31 December 2014. Our effective tax rate remained below the statutory income tax level of 16.0% for both years, mainly because we used a sponsorship tax credit amounting to RON 0.20 million for the year ended 31 December 2015 and RON 0.16 million for the year ended 31 December 2014.

Profit after tax from continuing operations

Profit after tax from continuing operations reached RON 5.18 million for the year ended 31 December 2016, compared with RON 6.52 million for the year ended 31 December 2015, representing a decrease of 20.5%. As a result, profit after tax from continuing operations as percentage of sales reached 5.3% for the year ended 31 December 2016 from 8.6% for the year ended 31 December 2015, representing a 3.2 percentage point decrease.

Profit after tax from continuing operations reached RON 6.52 million for the year ended 31 December 2015, compared with RON 4.12 million for the year ended 31 December 2014, representing an increase of 58.5%. As a result, profit after tax as percentage of sales reached 8.6% for the year ended 31 December 2015 from 6.5% for the year ended 31 December 2014, representing a 2.1 percentage point increase.

Profit/(loss) after tax for the year from discontinued operations

In November 2016, ARS (Romania) ceased the activities of warehousing and distribution of food supplies and materials that was performed both for its own necessities as well as for a number of related parties. These activities were transferred to Havi (Romania), an independent provider of logistics services. The impact on ARS (Romania) from these discontinued operations has two components: (i) the derecognition of a part of the warehousing and distribution expenses, related to the needs of the Pizza Hut restaurants, which starting November

2016 were included in the cost of food and materials (as acquired from Havi (Romania)) and (ii) the derecognition of the net result related to these activities that were performed for the related parties.

Loss after tax for the year from discontinued operations reached RON 1.95 million for the year ended 31 December 2016, compared with RON 0.40 million for the year ended 31 December 2015 and RON 0.60 million for the year ended 31 December 2014. The increase in the loss for the year ended 31 December 2016, of RON 1.56 million, was mainly due to the registration of a provision of RON 0.97 million for the impairment of assets related to the ceased warehousing and distribution activities.

Profit after tax

Profit after tax reached RON 3.23 million for the year ended 31 December 2016, compared with RON 6.12 million for the year ended 31 December 2015, representing a decrease of 47.3%. As a result, profit after tax as percentage of sales reached 3.3% for the year ended 31 December 2016 from 8.1% for the year ended 31 December 2015, representing a 4.8 percentage point decrease.

Profit after tax reached RON 6.12 million for the year ended 31 December 2015, compared with RON 3.52 million for the year ended 31 December 2014, representing an increase of 74.0%. As a result, profit after tax as percentage of sales reached 8.1% for the year ended 31 December 2015 from 5.6% for the year ended 31 December 2014, representing a 2.5 percentage point increase.

Liquidity and Capital Resources

Historically, we have used two major sources of liquidity: the operating cash flows and bank financing. The operating cash flows have been mainly directed to support the general working capital requirements of the company and the payment of dividends, while bank loans have been used mostly to finance our development plan.

Our cash and cash equivalents reached RON 3.29 million as at 31 December 2016, compared to RON 5.57 million as at 31 December 2015 and RON 1.31 million as at 31 December 2014. In addition, ARS (Romania) together with USFN (Romania) had available RON 50.3 million of undrawn committed borrowing facilities as at 31 December 2016, compared to RON 59.9 million as at 31 December 2015 and RON 67.7 million as at 31 December 2014.

We will continue to make significant investments in the following years in the growth of our business, primarily through opening new restaurants, but also by investing in existing restaurants.

Statement of cash flows

The following table sets forth, for the years ended December 31, 2014, 2015 and 2016, our cash flows from operating activities, investing activities and financing activities.

All data are in RON'000 unless otherwise stated	**Year ended 31 December**		
	2014	**2015**	**2016**
Operating activities			
Profit before tax from continuing operations	4,782	7,691	5,543
Profit/(loss) before tax from discontinued operations	(708)	(477)	(2,141)
Profit before tax	4,074	7,214	3,402
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and impairment of property, plant and equipment	2,268	2,208	2,862
Amortisation and impairment of intangible assets	202	210	323
Impairment allowance of property, plant and equipment	-	-	966
Net foreign exchange differences	(129)	3	54
Gain on disposal of property, plant and equipment	391	(56)	115
Finance income	(7)	(19)	(18)
Finance costs	100	97	213
Movements in current asset allowances	2	19	-
Working capital adjustments:			
Decrease/(increase) in trade and other receivables and prepayments	(2,146)	153	(985)
Decrease/(increase) in inventories	(673)	209	5,647
Increase/(decrease) in trade and other payables	1,828	1,896	(2,489)
Interest received	7	19	18
Interest paid	(100)	(119)	(240)
Income tax paid	(592)	(801)	(1,186)
Net cash flows from operating activities	**5,225**	**11,033**	**8,682**

All data are in RON'000 unless otherwise stated	Year ended 31 December		
	2014	**2015**	**2016**
Investing activities			
Proceeds from sale of property, plant and equipment	15	56	33
Purchase of intangible assets	(44)	(953)	(1,491)
Purchase of property, plant and equipment	(1,119)	(5,819)	(9,107)
Net cash flows used in investing activities	**(1,148)**	**(6,716)**	**(10,565)**
Financing activities			
Payment of finance lease liabilities	(107)	-	(201)
Proceeds from borrowings	-	6,359	8,603
Repayment of borrowings	(2,151)	(2,458)	(2,769)
Dividends paid to equity holders of the parent	(1,800)	(3,950)	(6,030)
Net cash flows from/(used in) financing activities	**(4,058)**	**(49)**	**(397)**
Net increase in cash and cash equivalents	19	4,268	(2,280)
Cash and cash equivalents at 1 January	1,287	1,306	5,574
Cash and cash equivalents at 31 December	**1,306**	**5,574**	**3,294**

Source: ARS (Romania) Annual Financial Statements

Cash flows from operating activities

Net cash flows from operating activities reached RON 8.68 million for the year ended 31 December 2016, compared to RON 11.0 million for the year ended 31 December 2015, representing a decrease of 21.3%. The main driver of the decrease in the net cash flows from operating activities by 21.3%, or RON 2.35 million, was the decrease in EBITDA (by RON 2.46 million).

Net cash flows from operating activities reached RON 11.0 million for the year ended 31 December 2015, compared to RON 5.23 million for the year ended 31 December 2014, representing an increase of 111.2%. The main driver of the increase in net cash flows from operating activities by 111.2%, or RON 5.81 million, was the increase in EBITDA (by RON 3.25 million), as well as the improvement in the net working capital (by RON 3.25 million).

The company operates with negative net working capital most of the time, which leads to an increase of the available cash flow from operations on the back of higher sales. This negative net working capital is explained by the fact that most of our sales are collected immediately via cash payments or card payments from customers, our inventory levels are held generally for up to two weeks of sales, while payment terms to suppliers average generally from 45 to 60 days.

Cash flows from investing activities

Net cash flows used in investing activities reached RON 10.6 million for the year ended 31 December 2016, compared to RON 6.72 million for the year ended 31 December 2015, representing an increase of 57.3%. This increase was due to the expansion of our restaurant development plan, which led to the opening of 8 new restaurants during the year 2016, and investments in the opening of other restaurants planned for the year 2017.

Net cash flows used in investing activities reached RON 6.72 million for the year ended 31 December 2015, compared to RON 1.15 million for the year ended 31 December 2014, representing an increase of 485%. This increase was due to the acceleration of our restaurant development plan, which materialised in the opening of 4 net restaurants during the year 2015 compared to none in the preceding year.

Cash flows from financing activities

Net cash flows used in financing activities reached RON 0.40 million for the year ended 31 December 2016, compared to RON 0.05 million for the year ended 31 December 2015, representing an increase of 710%. Within the net cash flows from the financing activities, the main uses were for dividends paid to the shareholders (RON 6.03 million) and repayment of bank borrowings (RON 2.77 million) for restaurants opened in the previous years, while the main source were drawings from bank borrowings (RON 8.60 million) for financing the restaurants opened during the year 2016 or to be opened during the year 2017. This increase in the cash flows used in the financing activities of 710%, or by RON 0.35 million, was principally generated by the increase in the payments of the dividends to shareholders (by RON 2.08 million) out of the profits corresponding to the year 2015.

Net cash flows used in financing activities reached RON 0.05 million for the year ended 31 December 2015, compared to RON 4.06 million for the year ended 31 December 2014, representing a decrease of 98.8%. Within the net cash flows from the financing activities, the main uses were for dividends paid to the shareholders (RON 3.95 million) and repayment of bank borrowings (RON 2.46 million) for restaurants opened in the previous years, while the main source were drawings from bank borrowings (RON 6.36 million) for financing the restaurants opened during the year 2015 or to be opened during the year 2016. This decrease in the cash flows used in the financing activities of 98.8%, or by RON 4.01 million, was due to the significant increase in the bank borrowings (by RON 6.36 million) for the financing of the restaurants opened during the year 2015 or to be opened during the year 2016, which was partly offset by increased payments of the dividends to shareholders (by RON 2.15 million).

Indebtedness

The following table sets forth, for the years ended December 31, 2014, 2015 and 2016, our interest-bearing liabilities.

All data are in RON'000 unless otherwise stated	31-Dec-14	31-Dec-15	31-Dec-16
Interest-bearing loans and borrowings - long-term*	492	3,692	7,536
Interest-bearing loans and borrowings - short-term*	1,435	2,118	3,935
Total interest-bearing liabilities*	**1,927**	**5,810**	**11,471**
Cash and short-term deposits*	1,306	5,574	3,294
Total net debt	**621**	**236**	**8,177**

**Source: ARS (Romania) Annual Financial Statements*

Total interest-bearing liabilities reached RON 11.5 million as at 31 December 2016, compared to RON 5.81 million as at 31 December 2015 and RON 1.93 million as at 31 December 2014. The increase of RON 5.66 million during the year 2016 and of RON 3.88 million during the year 2015 were mainly due to the new borrowings drawn from the credit line with Alpha Bank Romania for financing the opening of new restaurants, which exceeded the repayment of borrowings for financing the opening of the restaurants opened in the previous years. The decrease of RON 2.39 million during the year 2014 was mainly due to the repayment of borrowings for financing the opening of the restaurants in the previous years.

Total net debt reached RON 8.18 million as at 31 December 2016, compared to RON 0.24 million as at 31 December 2015 and RON 0.62 million as at 31 December 2014. The increase of RON 7.94 million during the year 2016 was mainly due to the net new borrowings from the credit line with Alpha Bank Romania for financing the opening of new restaurants (up by RON 5.66 million), coupled with a reduction in the cash and cash equivalents (by RON 2.28 million). The decrease of RON 0.39 million during the year 2015 was mainly due to the increase in the cash and cash equivalents (by RON 4.27 million).

ARS (Romania) and USFN (Romania) have contracted a credit facility from Alpha Bank Romania with a total limit of EUR 21 million (approximately RON 95.4 million as at 31 December 2016), which is split in three sub-limits, as follows: credit facility for the development of new locations, issuance of bank guarantee letters and credit card. The loan is secured with property, plant and equipment of each restaurant location for which the credit limited has been utilised.

Sphera - results of operations for the six months ended 30 June 2016 and 2017

Consolidated statement of comprehensive income

The consolidated profit and loss account of the Company for the six months ended 30 June 2017 include the performance of USFN Group for the entire period, as well as the performance of ARS (Romania) for June 2017. In 2017, we opened 2 restaurants in Italy, the first one on 30 March 2017, and the second one on 21 June 2017.

The following table presents the consolidated profit and loss account of the Company for the six months ended 30 June 2016 and 2017.

All data are in RON'000 unless otherwise Stated	Six months ended 30 June 2016	2017	Change 2017	Percentage of Sales 2016	2017
Restaurant sales	**193,220**	**242,204**	**25.4%**	**100.0%**	**100.0%**
Restaurant expenses					
Food and materials	74,225	87,944	18.5%	38.4%	36.3%
Payroll and employee benefits	30,623	43,430	41.8%	15.8%	17.9%
Rent	12,984	17,001	30.9%	6.7%	7.0%
Royalties	11,380	14,125	24.1%	5.9%	5.8%
Advertising	8,457	11,724	38.6%	4.4%	4.8%
Other operating expenses	14,330	18,474	28.9%	7.4%	7.6%
Depreciation	4,198	4,952	18.0%	2.2%	2.0%
Restaurant operating profit	**37,023**	**44,554**	**20.3%**	**19.2%**	**18.4%**
G&A expenses	10,625	15,832	49.0%	5.5%	6.5%
Operating profit	**26,398**	**28,722**	**8.8%**	**13.7%**	**11.9%**
Finance costs	978	440	-55.0%	0.5%	0.2%
Finance income	125	109	-12.8%	0.1%	0.0%
Profit before tax	**25,545**	**28,391**	**11.1%**	**13.2%**	**11.7%**
Income tax expense	3,315	1,189	-64.1%	1.7%	0.5%
Profit for the year	**22,230**	**27,202**	**22.4%**	**11.5%**	**11.2%**
EBITDA					
Operating profit	**26,398**	**28,722**	**8.8%**	**13.7%**	**11.9%**
Adjustments to bridge operating profit to EBITDA:					
Depreciation and amortization	4,198	4,952	18.0%	2.2%	2.0%
Depreciation and amortization included in general and administration expenses	586	1,119	91.0%	0.3%	0.5%
EBITDA	**31,182**	**34,793**	**11.6%**	**16.1%**	**14.4%**

Source: Sphera Interim Financial Statements, unaudited

Selected operating data

All data are in RON'000 unless otherwise stated	Six months ended 30 June 2016	2017	Change 2017
Like-for-like performance			
Like-for-like sales growth			13.0%
KFC restaurant count			
Restaurants at beginning of period	59	65	
Net additions	2	1	
Restaurants at end of period	**61**	**66**	

Source: Management data. 1) Including the revenues from ARS (Romania) for the 1 January – 31 May 2017 period and the new stores opened in Italy.

Revenues

Consolidated restaurant sales reached RON 242.2 million for the six months ended 30 June 2017, compared with RON 193.2 million for the six months ended 30 June 2016, an increase of 25.4%. This growth was mainly fuelled by performance of the existing 59 KFC restaurants in operation on 1 January 2016, whose cumulated sales increased by 13.0%, but also by performance of the 6 net new KFC restaurants opened in Romania between 1 January 2016 and 30 June 2017, as well as the consolidation of one month of ARS (Romania) sales and of the sales of the two new KFC restaurants opened in Italy. Contribution of ARS (Romania) and of USFN (Italy) to the revenues for the six months ended 30 June 2017 was RON 8.58 million and RON 3.48 million, respectively. Although we have increased our selling prices both in 2016 and 2017, the impact on the overall sales growth was not significant, as the key drivers of growth were the increase in transactions of the like-for-like restaurants and the opening of new restaurants, as detailed above.

Most of the restaurant sales were generated in Romania, which accounted for 96.9% of the consolidated sales for the six months ended 30 June 2017 compared with 98.1% of the consolidated sales for the six months ended 30 June 2016.

Food and materials expenses

Food and materials expenses reached RON 87.9 million for the six months ended 30 June 2017, compared with RON 74.2 million for the six months ended 30 June 2016, representing an increase of 18.5%. The decrease of this expense category to 36.3% of restaurant sales for the six months ended 30 June 2017 from 38.4% of sales for the six months ended 30 June 2016, or by 2.1 percentage points, was mainly due to increase in the selling prices that took place starting with the second half of 2016.

Payroll and employee benefits

Payroll and employee benefits expenses reached RON 43.4 million for the six months ended 30 June 2017, compared with RON 30.6 million for the six months ended 30 June 2016, an increase of 41.8%. This expense category reached 17.9% of restaurant sales in the six months ended 30 June 2017 compared with 15.8% in the six months ended 30 June 2016, representing a 2.1 percentage point increase. The faster increase of this expense category compared to the increase in restaurant sales was due to the increase in average salaries that we pay to our restaurant staff, the start of the operations in Italy, where we incurred pre-opening expenses related to the training of restaurant employees, as well as the consolidation of one month of ARS (Romania) payroll expense.

Rent

Rent expenses reached RON 17.0 million for the six months ended 30 June 2017, compared with RON 13.0 million for the six months ended 30 June 2016, representing an increase of 30.9%. The increase of the rent expense to 7.0% of restaurant sales for the six months ended 30 June 2017 from 6.7% of sales for the six months ended 30 June 2016 was mainly due to consolidation of ARS (Romania) and USFN (Italy) into the financial statements for the six months ended 30 June 2017.

Royalties

Royalty expenses reached RON 14.1 million for the six months ended 30 June 2017, compared with RON 11.4 million for the six months ended 30 June 2016, representing an annual increase of 24.1%. This increase was determined by the increase in revenues, so that royalty expenses stood at 5.8% of restaurant sales for the six months ended 30 June 2017, compared with 5.9% for the six months ended 30 June 2016.

Advertising

Advertising expenses reached RON 11.7 million for the six months ended 30 June 2017, compared with RON 8.46 million for the six months ended 30 June 2016, representing an increase of 38.6%. The advertising expenses stood at approximately 4.8% of restaurant sales for the six months ended 30 June 2017, compared with 4.4% for the six months ended 30 June 2016. The increase in the advertising expense is temporary and was mainly due to a different timing of incurring these expenses in the first six months of 2016; we expect advertising expenses to reach approximately 5.0% for the full year 2017 (5.0% for the year ended 31 December 2016).

Other operating expenses

The following table presents the main components of other operating expenses registered by our restaurants for the six months ended 30 June 2016 and 2017.

All data in RON'000 unless otherwise stated	**30-Jun-16**	**30-Jun-17**	**30-Jun-17** Annual change	**30-Jun-16** % of Restaurant sales	**30-Jun-17**
Third-party expenses	4,402	5,823	32.3%	2.3%	2.4%
Utilities	4,115	4,718	14.7%	2.1%	1.9%
Maintenance & Repairs	1,784	2,656	48.9%	0.9%	1.1%
Smallwares	1,049	1,215	15.8%	0.5%	0.5%
Cleaning Supplies	1,218	1,402	15.1%	0.6%	0.6%
Other items	1,762	2,660	51.0%	0.9%	1.1%
Total Other operating expenses, net	**14,330**	**18,474**	**28.9%**	**7.4%**	**7.6%**

Source: Sphera Interim Financial Statements, unaudited

Other operating expenses reached RON 18.5 million for the six months ended 30 June 2017, compared with RON 14.3 million for the six months ended 30 June 2016, representing an increase of 28.9%. The increase of these expenses to 7.6% of restaurant sales for the six months ended 30 June 2017 from 7.4% of sales for the six months ended 30 June 2016 was mainly due to the consolidation of ARS (Romania) and of USFN (Italy) into the financial statements for the six months ended 30 June 2017.

Depreciation and Amortisation

Depreciation expenses reached RON 4.95 million for the six months ended 30 June 2017, compared with RON 4.20 million for the six months ended 30 June 2016, representing an increase of 18.0%. As a result, depreciation expense as percentage of sales decreased to 2.0% for the six months ended 30 June 2017 from 2.2% for the six months ended 30 June 2016. The 18.0% increase in the depreciation expense during the six months ended 30 June 2017 was mainly due to the opening of 8 new KFC restaurants between 1 January 2016 and 30 June 2017.

Restaurant operating profit

The restaurant operating profit reached RON 44.6 million for the six months ended 30 June 2017, compared with RON 37.0 million for the six months ended 30 June 2016, representing an increase of 20.3%. As a result, restaurant operating profit as percentage of sales reached 18.4% for the six months ended 30 June 2017 from 19.2% for the six months ended 30 June 2016, representing a 0.8 percentage point decrease. This decrease was mainly triggered by the higher advertising expenses (+0.5 percentage points increase in restaurant sales) and to a lesser extent by higher other operating expenses (+0.2 percentage points increase in restaurant sales), as explained above.

General & Administrative (G&A)

The G&A expenses reached RON 15.8 million for the six months ended 30 June 2017, compared with RON 10.6 million for the six months ended 30 June 2016, representing an increase of 49.0%. As a result, G&A expenses as percentage of sales reached 6.5% for the six months ended 30 June 2017 from 5.5% for the six months ended 30 June 2016, representing a 1.0 percentage point increase. This increase was mainly due to the consolidation of ARS (Romania) and (USFN) Italy into the financial statements for the six months ended 30 June 2017, as well as higher payroll and third-party expenses.

EBITDA

EBITDA reached RON 34.8 million for the six months ended 30 June 2017, compared with RON 31.2 million for the six months ended 30 June 2016, representing an increase of 11.6%. As a result, EBITDA margin reached 14.4% for the six months ended 30 June 2017 compared with 16.1% for the six months ended 30 June 2016, representing a 1.8 percentage point decrease. This decrease was mainly triggered by the higher increase of the restaurant operating expense, excluding depreciation and impairment expenses (0.9 percentage points increase in restaurant sales) as well as to a faster increase of the G&A expenses (1.0 percentage point increase in restaurant sales), as explained above.

Operating profit

The operating profit reached RON 28.7 million for the six months ended 30 June 2017, compared with RON 26.4 million for the six months ended 30 June 2016, representing an increase of 8.8%. As a result, operating profit as percentage of sales reached 11.9% for the six months ended 30 June 2017 from 13.7% for the six months ended 30 June 2016, representing a 1.8 percentage point decrease. This decrease was mainly triggered by the higher increase in the restaurant operating expense (0.8 percentage points increase in restaurant sales) as well as by a faster increase of the G&A expenses (1.0 percentage points increase in restaurant sales), as explained above.

Finance result

Net finance expense (calculated as finance cost less finance income) reached RON 331 thousand for the six months ended 30 June 2017, compared with RON 853 thousand for the six months ended 30 June 2016, representing a decrease of 61.2%. This decrease was mainly due lower foreign exchange loss, which decreased by RON 601 thousand in the six months ended 30 June 2017 compared with the six months ended 30 June 2016.

Profit before tax

Profit before tax reached RON 28.4 million for the six months ended 30 June 2017, compared with RON 25.5 million for the six months ended 30 June 2016, representing an increase of 11.2%. As a result, profit before tax as percentage of sales reached 11.7% for the six months ended 30 June 2017, compared with 13.2% for the six months ended 30 June 2016, representing a 1.5 percentage point decrease. This decrease was virtually due to the reduction in the operating profit margin by 1.8 percentage points of sales, as explained above.

Income tax expense

Income tax expense reached RON 1.19 million for the six months ended 30 June 2017, compared with RON 3.32 million for the six months ended 30 June 2016, representing a decrease of 64.1%. The effective tax rate stood at 4.2% for the six months ended 30 June 2017, compared to 13.0% for the six months ended 30 June 2016. Compared to the statutory income tax rate of 16.0%, the drop of the effective tax rate to 4.2% for the six months ended 30 June 2017 was mainly due to the changes in tax legislation with regard to the tax levied on restaurant activity applicable for the companies active in the restaurant industry. According to the updated regulations, the income tax for the restaurant activity has been replaced by a specific tax, computed based on a minimum fixed amount multiplied by the impact of three criteria: restaurant area, restaurant location and seasonality. The taxation of the non-restaurant activities was not subject to changes.

Profit after tax

Profit after tax reached RON 27.2 million for the six months ended 30 June 2017, compared with RON 22.2 million for the six months ended 30 June 2016, representing an increase of 22.4%. As a result, profit after tax as percentage of sales reached 11.2% for the six months ended 30 June 2017 from 11.5% for the six months ended 30 June 2016, representing a 0.3 percentage point decrease.

Liquidity and Capital Resources

Our cash and cash equivalents reached RON 35.8 million as at 30 June 2017, compared to RON 49.0 million as at 31 December 2016. In addition, we had available RON 38.0 million of undrawn committed borrowing facilities as at 30 June 2017, compared to RON 50.3 million as at 31 December 2016.

Statement of cash flows

The following table sets forth, for the six months ended 30 June 2016 and 2017, our consolidated cash flows from operating activities, investing activities and financing activities.

	Six months ended	
All data are in RON'000 unless otherwise stated	**30-Jun-16**	**30-Jun-17**
Operating activities		
Profit before tax	25,545	28,391
Adjustments to reconcile profit before tax to net cash flows:	-	-
Depreciation and impairment of property, plant and equipment	4,394	5,692
Amortisation and impairment of intangible assets	390	487
Net foreign exchange differences	(65)	(71)
Gain on disposal of property, plant and equipment	148	-
Finance income	(125)	(109)
Finance costs	332	395
Working capital adjustments:		
Decrease/(increase) in trade and other receivables and prepayments	835	4,794
Decrease/(increase) in inventories	314	(516)
Increase/(Decrease) in trade and other payables	(2,933)	(5,281)
Interest received	125	109
Interest paid	(324)	(434)
Income tax paid	(4,078)	(1,848)
Net cash flows from operating activities	**24,558**	**31,609**
Investing activities		
Proceeds from sale of property, plant and equipment	8	-
Purchase of intangible assets	(1,573)	(1,132)
Purchase of property, plant and equipment	(6,294)	(14,596)
Acquisition of subsidiary, net of cash		2,161
Net cash flows used in investing activities	**(7,859)**	**(13,567)**

Financing activities		
Capital contribution from shareholders	-	1,151
Proceeds from borrowings	3,532	19,225
Repayment of borrowings	(3,678)	(5,051)
Payment of finance lease liabilities	(156)	(134)
Dividends paid to equity holders of the parent	(40,961)	(46,237)
Dividends paid to non-controlling interests	-	(70)
Net cash flows from/(used in) financing activities	**(41,263)**	**(31,116)**
Net increase in cash and cash equivalents	(24,564)	(13,074)
Net foreign exchange difference	(18)	(78)
Cash and cash equivalents at 1 January	43,599	48,968
Cash and cash equivalents at 30 June	19,017	35,816

Source: Sphera Interim Financial Statements, unaudited.

Cash flows from operating activities

Net cash flows from operating activities reached RON 31.6 million for the six months ended 30 June 2017, compared to RON 24.6 million for the six months ended 30 June 2016, representing an increase of 28.7%. The main drivers of the increase in the net cash flows from operating activities by 28.7%, or RON 7.05 million, were the increase in EBITDA (by RON 3.61 million and the decrease in the income tax paid (by RON 2.23 million).

Cash flows from investing activities

Net cash flows used in investing activities reached RON 13.6 million for the six months ended 30 June 2017, compared to RON 7.86 million for the six months ended 30 June 2016, representing an increase of 72.6%. This increase was due to the investment in the new restaurants that have been opened starting with the second half of year 2016, including our first two KFC restaurants in Italy, as well as significant investments in other restaurants planned to be opened in the second part of the year 2017.

Cash flows from financing activities

Net cash flows used in financing activities reached RON 31.1 million for the six months ended 30 June 2017, compared to RON 41.3 million for the six months ended 30 June 2016, representing a decrease of 24.6%. Within the net cash flows from the financing activities, the main uses were for dividends paid to the shareholders (RON 46.2 million) and repayment of bank borrowings (RON 5.05 million) for restaurants opened in the previous years, while the main source were drawings from bank borrowings (RON 19.2 million) to finance the restaurants opened or to be opened during the year 2017. The decrease in the cash flows used in the financing activities by 24.6%, or RON 10.15 million, was principally generated by the increase in the proceeds from bank borrowings (by RON 15.7 million), which were partly offset by the higher dividends paid to the shareholders (by RON 5.28 million).

Indebtedness

The following table sets forth our consolidated interest-bearing liabilities for the six months ended 30 June 2017 compared with the year ended 31 December 2016.

All data are in RON'000 unless otherwise stated	31-Dec-16	30-Jun-17
Interest-bearing loans and borrowings - long-term*	14,630	31,227
Interest-bearing loans and borrowings - short-term*	7,796	15,804
Total interest-bearing liabilities*	**22,426**	**47,031**
Cash and short-term deposits*	48,968	35,816
Total net debt	**(26,542)**	**11,215**

**Source: Sphera Interim Financial Statements, unaudited*

Total interest-bearing liabilities reached RON 47.0 million as at 30 June 2017, compared to RON 22.4 million as at 31 December 2016. This increase of 109.7%, or by RON 24.6 million, was due to both the increase in the bank borrowings to finance the opening of KFC restaurants and to consolidate the ARS (Romania)'s debt position into the financial statements of the Company.

Total net debt reached RON 11.2 million as at 30 June 2017 compared to a negative value of RON 26.5 million as at 31 December 2016. The increase in net debt by RON 37.7 million was mainly due to the reduction in the cash and short-term deposits from 31 December 2016 to 30 June 2017, but also to the increase in bank borrowings.

ARS (Romania) - results of operations for the six months ended 30 June 2016 and 2017

Statement of comprehensive income

The following table presents the profit and loss account of ARS (Romania) for the periods of six months ended 30 June 2016 and 2017, respectively.

All data are in RON'000 unless otherwise stated	Six months ended 30 June		Change	Percentage of Sales	
	2016	2017	2017	2016	2017
Restaurant sales	**46,398**	**54,210**	**16.8%**	**100.0%**	**100.0%**
Restaurant expenses					
Food and materials	12,606	14,830	17.6%	27.2%	27.4%
Payroll and employee benefits	9,608	13,690	42.5%	20.7%	25.3%
Rent	3,672	4,692	27.8%	7.9%	8.7%
Royalties	2,721	3,166	16.4%	5.9%	5.8%
Advertising	2,727	2,973	9.0%	5.9%	5.5%
Other operating expenses	5,234	5,386	2.9%	11.3%	9.9%
Depreciation	1,116	1,749	56.7%	2.4%	3.2%
Restaurant operating profit	**8,714**	**7,724**	**-11.4%**	**18.8%**	**14.2%**
General and administration expenses, net	4,338	5,732	32.1%	9.3%	10.6%
Operating profit	**4,376**	**1,992**	**-54.5%**	**9.4%**	**3.7%**
Finance costs	81	187	130.9%	0.2%	0.3%
Finance income	93	6	-93.5%	0.2%	0.0%
Profit before tax from continuing operations	**4,388**	**1,811**	**-58.7%**	**9.5%**	**3.3%**
Income tax expense	626	772	23.3%	1.3%	1.4%
Profit for the period from continuing operations	**3,762**	**1,039**	**-72.4%**	**8.1%**	**1.9%**
Discontinued operations					
Profit for the period from discontinued operations, net of tax	293	0	-100.0%	0.6%	0.0%
Profit for the period	**4,055**	**1,039**	**-74.4%**	**8.7%**	**1.9%**
EBITDA					
Operating profit	**4,376**	**1,992**	**-54.5%**	**9.4%**	**3.7%**
Adjustments to bridge operating profit to EBITDA:					
Depreciation and amortization	1,116	1,749	56.7%	2.4%	3.2%
Depreciation and amortization included in general and administration expenses	92	67	-27.2%	0.2%	0.1%
EBITDA from continuing operations	**5,584**	**3,808**	**-31.8%**	**12.0%**	**7.0%**
Profit from discontinued operations	**349**	**0**	**-100.0%**	**0.8%**	**0.0%**
Adjustments to bridge operating profit to EBITDA:					
Depreciation and amortization	233	0	-100.0%	0.5%	0.0%
EBITDA from discontinued operations	**582**	**0**	**-100.0%**	**1.3%**	**0.0%**
Total profit	4,725	0	-100.0%	10.2%	0.0%
Total adjustments for depreciation and amortization	1,441	0	-100.0%	3.1%	0.0%
Total EBITDA:	**6,166**	**3,808**	**-38.2%**	**13.3%**	**7.0%**

Source: ARS (Romania) Interim Financial Statements, unaudited

Selected operating data

All data are in RON'000 unless otherwise stated	Six months ended 30 June		Change
	2016	2017	2017
Like-for-like performance			
Like-for-like sales growth			3.4%

All data are in RON'000 unless otherwise stated	Six months ended 30 June 2016	2017	Change 2017
Pizza Hut restaurant count			
Restaurants at beginning of period	25	32	
Net additions	3	1	
Restaurants at end of period	**28**	**33**	

Source: Management data.

Revenues

Restaurant sales reached RON 54.2 million for the six months ended 30 June 2017, compared with RON 46.4 million for the six months ended 30 June 2016, marking an increase of 16.8%. This growth was mainly fuelled by the performance of the 8 net new restaurants that have been opened between 1 January 2016 and 30 June 2017, but also by the performance of the existing 26 restaurants that were already in operation on 1 January 2016, whose cumulated sales increased by 3.4%. Although we have increased our selling prices both in 2016 and 2017, the impact on the overall sales growth was not significant, as the key drivers of growth were the increase in transactions of the like-for-like restaurants and the opening of new restaurants, as detailed above.

Food and materials expenses

Food and materials expenses reached RON 14.8 million for the six months ended 30 June 2017, compared with RON 12.6 million for the six months ended 30 June 2016, representing an increase of 17.6%. In percentage of sales terms, this expense category remained relatively stable at 27.4% for the six months ended 30 June 2017 compared to 27.2% for the six months ended 30 June 2016.

Payroll and employee benefits

Payroll and employee benefits expenses reached RON 13.7 million for the six months ended 30 June 2017, compared with RON 9.61 million for the six months ended 30 June 2016, representing an increase of 42.5%. This expense category reached 25.3% of restaurant sales in in the six months ended 30 June 2017, compared with 20.7% in in the six months ended 30 June 2016, representing a 4.6 percentage point increase. The faster increase of this expense category compared to the increase in restaurant sales was due in part to the increase in the average salaries that we pay to our restaurant staff, as well as to the increase in the total number of restaurants in operation.

Rent

Rent expenses reached RON 4.69 million for the six months ended 30 June 2017, compared with RON 3.67 million for the six months ended 30 June 2016, representing an increase of 27.8%. The increase of the rent expense to 8.7% of restaurant sales for the six months ended 30 June 2017 from 7.9% of sales for the six months ended 30 June 2016 was mainly due to the increased contractual rent expense in some of our locations.

Royalties

Royalty expenses reached RON 3.17 million for the six months ended 30 June 2017, compared with RON 2.72 million for the six months ended 30 June 2016, representing an annual increase of 16.4%. This increase was determined by the increase in revenues, so that royalty expenses stood at 5.8% of restaurant sales for the six months ended 30 June 2017, compared with 5.9% for the six months ended 30 June 2016.

Advertising

Advertising expenses reached RON 2.97 million for the six months ended 30 June 2017, compared with RON 2.73 million for the six months ended 30 June 2016, representing an increase of 9.0%. The advertising expenses stood at approximately 5.5% of restaurant sales for the six months ended 30 June 2017, compared with 5.9% for the six months ended 30 June 2016.

Other operational expenses

The following table presents the main components of other operational expenses registered by our restaurants for the six months ended 30 June 2016 and 2017.

All data in RON'000 unless otherwise stated	30-Jun-16	30-Jun-17	30-Jun-17 Annual change	30-Jun-16 % of Restaurant sales	30-Jun-17
Third-party expenses	1,117	1,617	44.8%	2.4%	3.0%
Utilities	2,088	2,218	6.2%	4.5%	4.1%
Maintenance & Repairs	606	454	-25.1%	1.3%	0.8%
Smallwares	672	443	-34.1%	1.4%	0.8%
Cleaning Supplies	254	310	22.0%	0.5%	0.6%
Other items	497	344	-30.8%	1.1%	0.6%
Total Other operating expenses, net	**5,234**	**5,386**	**2.9%**	**11.3%**	**9.9%**

Source: ARS (Romania) Interim Financial Statements, unaudited

Other operational expenses reached RON 5.39 million for the six months ended 30 June 2017, compared with RON 5.23 million for the six months ended 30 June 2016, representing an increase of 2.9%. The decrease of these expenses to 9.9% of restaurant sales for the six months ended 30 June 2017 from 11.3% of sales for the six months ended 30 June 2016 was mainly due to lower expenses related to smallwares and maintenance & repairs.

Depreciation and Amortisation

Depreciation expenses reached RON 1.75 million for the six months ended 30 June 2017, compared with RON 1.12 million for the six months ended 30 June 2016, representing an increase of 56.7%. As a result, depreciation expense as percentage of sales increased to 3.2% for the six months ended 30 June 2017 from 2.4% for the six months ended 30 June 2016. The 56.7% increase in the depreciation expense during the six months ended 30 June 2017 was mainly due to the opening of 7 net restaurants between 1 January 2016 and 30 June 2017.

Restaurant operating profit

The restaurant operating profit reached RON 7.72 million for the six months ended 30 June 2017, compared with RON 8.71 million for the six months ended 30 June 2016, representing a decrease of 11.4%. As a result, restaurant operating profit as percentage of sales reached 14.2% for the six months ended 30 June 2017 from 18.8% for the six months ended 30 June 2016, representing a 4.5 percentage point decrease. This decrease was mainly driven by higher payroll expenses (+4.5 percentage points increase in restaurant sales) and to a lesser extent by higher depreciation expenses (+0.8 percentage points increase in restaurant sales), as explained above.

General & Administrative (G&A)

The G&A expenses reached RON 5.73 million for the six months ended 30 June 2017, compared with RON 4.34 million for the six months ended 30 June 2016, representing an increase of 32.1%. As a result, G&A expenses as percentage of sales reached 10.6% for the six months ended 30 June 2017 from 9.3% for the six months ended 30 June 2016, representing a 1.2 percentage point increase. This increase was mainly due to higher payroll and third-party expenses.

EBITDA from continuing operations

EBITDA from continuing operations reached RON 3.81 million for the six months ended 30 June 2017, compared with RON 5.58 million for the six months ended 30 June 2016, representing a decrease of 31.8%. As a result, EBITDA margin reached 7.0% for the six months ended 30 June 2017 compared with 12.0% for the six months ended 30 June 2016, representing a 5.0 percentage point decrease. This decrease was mainly triggered by the higher increase of the restaurant operating expense excluding depreciation and impairment expenses (3.7 percentage points increase in restaurant sales) as well as by a faster increase of the G&A expenses (1.2 percentage points increase in restaurant sales), as explained above.

Operating profit from continuing operations

The operating profit reached RON 1.99 million for the six months ended 30 June 2017, compared with RON 4.38 million for the six months ended 30 June 2016, representing a decrease of 54.5%. As a result, operating profit as percentage of sales reached 3.7% for the six months ended 30 June 2017 from 9.4% for the six months ended 30 June 2016, representing a 5.8 percentage point decrease. This decrease was mainly driven by higher increase of the restaurant operating expense (4.5 percentage points increase in restaurant sales) as well as to a faster increase of the G&A expenses (1.2 percentage points increase in restaurant sales), as explained above.

Finance result

Net finance expense (calculated as finance cost less finance income) reached RON 181 thousand for the six months ended 30 June 2017, compared with a net gain of RON 12 thousand for the six months ended 30 June 2016. This increase was mainly due higher foreign exchange losses (up by RON 108 thousand) as well as by higher interest expenses (by RON 76 thousand), due to the increased bank borrowings for the financing of new restaurants.

Profit before tax from continuing operations

Profit before tax from continuing operations reached RON 1.81 million for the six months ended 30 June 2017, compared with RON 4.39 million for the six months ended 30 June 2016, representing a decrease of 58.7%. As a result, profit before tax from continuing operations as percentage of sales reached 3.3% for the six months ended 30 June 2017 compared with 9.5% for the six months ended 30 June 2016, representing a 6.1 percentage point decrease. This decrease was virtually due to the reduction in the operating profit margin by 5.8 percentage points of sales, as explained above.

Income tax expense

Income tax expense reached RON 772 thousand for the six months ended 30 June 2017, compared with RON 626 thousand for the six months ended 30 June 2016, representing an increase of 23.3%. The effective tax rate stood at 42.6% for the six months ended 30 June 2017 compared to 14.3% for the six months ended 30 June 2016. Compared to the statutory income tax rate of 16.0%, the increase of the effective tax rate to 42.6% for the six months ended 30 June 2017 was mainly due to the changes in tax legislation with respect to tax levied on restaurant activity applicable for the companies active in the restaurant industry. According to the updated regulations, the income tax for the restaurant activity has been replaced by a specific tax, computed on the basis of a minimum fixed amount multiplied by the impact of three criteria: restaurant area, restaurant location and seasonality. The taxation of the non-restaurant activities has not suffered changes.

Profit after tax from continuing operations

Profit after tax reached RON 1.04 million for the six months ended 30 June 2017, compared with RON 3.76 million for the six months ended 30 June 2016, representing a decrease of 72.4%. As a result, profit after tax as percentage of sales reached 1.9% for the six months ended 30 June 2017 from 8.1% for the six months ended 30 June 2016, representing a 6.2 percentage point decrease.

Liquidity and Capital Resources

Our cash and cash equivalents reached RON 2.32 million as at 30 June 2017, compared to RON 3.29 million as at 31 December 2016.

Statement of cash flows

The following table sets forth, for the six months ended 30 June 2016 and 2017, our cash flows from operating activities, investing activities and financing activities.

All data are in RON'000 unless otherwise stated	**30-Jun-16** RON	**30-Jun-17** RON
Operating activities		
Profit before tax from continuing operations	4,388	1,811
Profit/(loss) before tax from discontinued operations	349	-
Profit before tax	4,737	1,811
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and impairment of property, plant and equipment	1,294	1,609
Amortisation and impairment of intangible assets	147	207
Net foreign exchange differences	2	(8)
Gain on disposal of property, plant and equipment	6	(4)
Finance income	(15)	(6)
Finance costs	81	157
Movement in current assets allowances	-	(63)
Movements in provisions, pensions and government grants		

All data are in RON'000 unless otherwise stated	**30-Jun-16** RON	**30-Jun-17** RON
Working capital adjustments:		
Decrease/(Increase) in trade and other receivables and prepayments	2,187	4,233
Decrease/(Increase) in inventories	(2,420)	(32)
Increase/(Decrease) in trade and other payables	(483)	(2,212)
Interest received	15	6
Interest paid	(96)	(162)
Income tax paid	(928)	-
Net cash flows from operating activities	**4,527**	**5,536**
Investing activities		
Proceeds from sale of property, plant and equipment	-	8
Purchase of intangible assets	(496)	(47)
Purchase of property, plant and equipment	(4,139)	(2,923)
Net cash flows used in investing activities	**(4,635)**	**(2,962)**
Financing activities		
Proceeds from borrowings	3,762	1,838
Repayment of borrowings	(1,297)	(1,920)
Payment of finance lease liabilities	(81)	(98)
Dividends paid to equity holders of the parent	(6,030)	(3,368)
Net cash flows from/(used in) financing activities	**(3,646)**	**(3,548)**
Net increase in cash and cash equivalents	(3,754)	(974)
Cash and cash equivalents at 1 January	5,574	3,294
Cash and cash equivalents at 30 June	**1,820**	**2,320**

Source: ARS (Romania) Interim Financial Statements, unaudited

Cash flows from operating activities

Net cash flows from operating activities reached RON 5.54 million for the six months ended 30 June 2017, compared to RON 4.53 million for the six months ended 30 June 2016, representing an increase of 22.3%. The main driver of the increase in the net cash flows from operating activities by 22.3%, or RON 1.01 million, was the improvement in the working capital (by RON 2.71 million), which was partly offset by the decrease in EBITDA (by RON 2.36 million).

Cash flows from investing activities

Net cash flows used in investing activities reached RON 2.96 million for the six months ended 30 June 2017, compared to RON 4.64 million for the six months ended 30 June 2016, representing a decrease of 36.1%. This decrease was due to the lower number of new restaurants opened starting with the first half of year 2017.

Cash flows from financing activities

Net cash flows used in financing activities reached RON 3.55 million for the six months ended 30 June 2017, compared to RON 3.65 million for the six months ended 30 June 2016, representing a decrease of 2.7%. Within the net cash flows from financing activities, the main uses were to pay dividends the shareholders (RON 3.37 million) and to repay bank borrowings (RON 1.92 million) for restaurants opened in the previous years, while the main source were drawings from bank borrowings (RON 1.84 million) to finance the restaurants opened or to be opened during the year 2017. The decrease in the cash flows used in the financing activities of 2.7%, or RON 98 thousand, was principally driven by the decrease in dividends paid to the shareholders (by RON 2.66 million), which were partly offset by the lower proceeds from bank borrowings (by RON 1.92 million).

Indebtedness

The following table sets forth our interest-bearing liabilities for the six months ended 30 June 2017 compared with the year ended 31 December 2016.

All data are in RON'000 unless otherwise stated	**31-Dec-16**	**30-Jun-17**
Interest-bearing loans and borrowings - long-term*	7,536	6,950
Interest-bearing loans and borrowings - short-term*	3,935	4,328
Total interest-bearing liabilities*	**11,471**	**11,278**
Cash and short-term deposits*	3,294	2,320
Total net debt	**8,177**	**8,958**

**Source: ARS (Romania) Interim Financial Statements, unaudited*

Total interest-bearing liabilities reached RON 11.28 million as at 30 June 2017, compared to RON 11.47 million as at 31 December 2016, representing a decrease of 1.7%.

Total net debt reached RON 8.96 million as at 30 June 2017 compared to a RON 8.18 million as at 31 December 2016. The increase in net debt by RON 781 thousand was mainly due to the reduction in the cash and short-term deposits from 31 December 2016 to 30 June 2017.

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Judgements

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

Classification of lease agreements

A lease is classified as a finance lease if it transfers to the Group substantially all the risks and rewards incidental to ownership; otherwise it is classified as an operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. If the lease term is longer than 75 percent of the economic life of the asset, or if at the inception of the lease the present value of the minimum lease payments amounts to at least 90 percent of the fair value of the leased asset, the lease is classified by the Group as finance lease, unless it is clearly demonstrated otherwise.

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 parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of property and equipment

The Group assesses the remaining useful lives of items of property and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates may have a material impact on the amount of the carrying values of property and equipment and on depreciation recognised in profit or loss.

In particular, the Group assesses for its operating leases that generally have an initial term of 5 years with renewal option for another 5 years, that the leasehold improvements' useful life is of 10 years due to the fact that historically most of such leases have been renewed after the initial term of 5 years, that the refurbishment needed after the first 5 years is of significantly less value compared to the initial set-up, and that 10 years is also the duration of the related franchise.

Financial instruments risk management

The Group's principal financial liabilities comprise loans and borrowings, including finance leases and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets are represented by loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations, as well as long-term deposits to guarantee rent payables.

The Group is exposed to interest rate risk, foreign exchange rate risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management ensures the Group's financial risk activities are performed under appropriate procedures and that financial risks are identified, measured and managed in accordance with Group risk appetite.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Trade and other receivables and payables are non-interest bearing financial assets and liabilities. The borrowings are usually exposed to interest rate risk through market value fluctuations of interest-bearing long-term and short-term credit facilities. Management policy is to resort mainly to variable rate financing. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that fixed or variable rate would be more favourable to the Group over the expected period until maturity.

The Group does not have a significant exposure to the interest rate risk as of 30 June 2017. Please refer to Note 14 of the Sphera Interim Financial Statements for additional disclosures.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities, as the financing contracted by the Group is Euro based. The vast majority of revenues and expenses, trade and other receivables and payables are in RON.

The Group monitors the currency risk by following changes in exchange rates in currencies in which its intercompany balances and external debts are denominated.

The Group does not have a significant exposure to the foreign currency risk as of 30 June 2017. Please refer to Note 14 of the Sphera Interim Financial Statements for additional disclosures.

Credit risk

The Group is not significantly exposed to credit risk as the majority of its sales are on a cash basis. The Group's credit risk is primarily attributed to trade and other receivables and balances with banks. The carrying amount of trade and other receivables, net of allowance for impairment plus balances with banks, represent the maximum amount exposed to credit risk. Management believes that there is no significant risk of loss to the Group beyond the allowances already recorded.

The Group invests cash and cash equivalents with highly reliable financial institutions. The Group has only plain vanilla deposits with reputable banks, none of which has experienced any difficulties in 2017. The majority of cash is transacted through and placed with Alpha Bank Romania, member of Alpha Bank Group from Greece and Banca Romana de Dezvoltare (BRD), a member of Societe Generale Group from France, as well as with Unicredit Bank Italy.

There is no significant concentration of credit risk in respect of trade and other receivables due to the fact that sales are based mainly on cash and credit card payments. Therefore, there are no formal policies in the Group to manage credit risk for trade receivables. The Group's credit risk is primarily attributed to loans and receivables from related parties, for which the probability of losses is considered remote.

Please refer to Note 14 and Note 16 of the Sphera Interim Financial Statements for additional disclosures.

Liquidity risk

The Group has adopted a prudent financial liquidity management approach, assuming that sufficient cash and cash equivalents are maintained and that further financing is available from guaranteed funds from credit lines. The Group does not have a significant exposure to the liquidity risk as of 30 June 2017. Please refer to Note 14 of the Sphera Interim Financial Statements for additional disclosures.

Capital management

Capital includes the equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group may monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group does not have a target gearing ratio, as the overall gearing is low. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash deposits.

The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements.

Please refer to Note 14 and Note 13 of the Sphera Interim Financial Statements for additional disclosures.

Fair values

The Group has no financial instruments carried at fair value in the statement of financial position.

The carrying amount of the interest-bearing loans and borrowings approximate their fair value. Management estimates that the margin applicable over Euribor at the balance sheet date would be similar to the ones at the dates of each previous withdrawal, due to the fact that the Group maintained over the past years a low gearing ratio and a stable financial condition, and also based on statistics published by the National Bank of Romania.

Financial instruments which are not carried at fair value on the statement of financial position also include deposits to guarantee rent, trade and other receivables, cash and cash equivalents, and trade and other payables. The carrying amounts of these financial instruments are considered to approximate their fair values, due to their short-term nature (in majority) and low transaction costs of these instruments

FOODSERVICE SECTOR

Macroeconomic environment

Romania

Romania is located at the crossroad of Central and South-Eastern Europe, north of the Balkan Peninsula, on the Lower Danube, and is bordered by the Black Sea. Romania shares borders with the following countries: Hungary, Serbia, Republic of Moldova, Ukraine and Bulgaria. Romania is the second largest country in Central and Eastern Europe by area and population after Poland and the third largest by GDP after Poland and Czech Republic (based on 2016 data).

The table below sets out the evolution of certain key economic indicators for Romania for the years ended 31 December 2012-2016.

	As at or for the year ended 31 December				
Key economic indicators	**2012**	**2013**	**2014**	**2015**	**2016**
Population (million)	20.1	20	19.9	19.9	19.8
Nominal GDP (RON billion)	595	637	668	711	761
Real GDP growth rate	0.6%	3.5%	3.1%	3.9%	4.8%
GDP growth by components					
Households	1.7%	-2.4%	4.4%	5.5%	7.3%
Government	-5.6%	23.7%	0.5%	-0.7%	3.3%
Investment	-4.8%	0.5%	1.7%	7.5%	1.1%
Exports	1.0%	19.7%	8.0%	5.4%	8.3%
Imports	-1.8%	8.8%	8.7%	9.2%	9.8%
Inflation (annual average)	3.3%	4.0%	1.1%	-0.6%	-1.6%
Policy rate (NBR, end of period)	5.25%	4.00%	2.75%	1.75%	1.75%
RON/EUR average rate	4.4560	4.4190	4.4446	4.4450	4.4908
Annual growth rate	5.2%	-0.8%	0.6%	0.0%	1.0%
Current account (% of GDP)	-4.8%	-1.1%	-0.7%	-1.2%	-2.3%
Foreign Direct Investment (% of GDP)	1.9%	1.9%	1.6%	2.2%	2.7%
Consolidated budget balance (% of GDP)	-3.7%	-2.1%	-1.4%	-0.8%	-3.0%
Domestic public debt (% of GDP)	37.3%	37.8%	39.4%	38.0%	37.6%
Total external debt (% of GDP)	75.5%	68.0%	63.0%	56.5%	54.5%
Employed population (% of total population)	40.9%	40.9%	41.4%	41.4%	41.3%
Unemployment rate (% average)	6.8%	7.1%	6.8%	6.8%	5.9%
Retail trade growth rate	4.1%	0.5%	6.4%	8.9%	13.5%
Average gross salary (RON)	2,063	2,163	2,328	2,555	2,887
Annual growth rate	4.2%	4.8%	7.6%	9.8%	13.0%
Minimum gross salary at year-end (RON)	700	800	900	1,050	1,250
Annual growth rate	4.5%	14.3%	12.5%	16.7%	19.0%

Source: INSSE, NBR, Eurostat.

Romania's GDP increased by 4.8% in 2016, compared with 3.9% in 2015 and 3.1% in 2014, representing a 3-year CAGR of 3.9%, faster than the average growth rate of European Union GDP (CAGR of 2% over the 2014-2016 period). The main driver and contributor of the increase in Romania's GDP has been the household consumption, which increased by 7.3% in 2016, compared with 5.5% in 2015 and 4.4% in 2014, representing a 3-year CAGR of 5.7%. A significant part of the household consumption has been directed into the retail sector, whose average growth rate reached 13.5% in 2016, compared with 8.9% in 2015 and 6.4% in 2014. This robust growth in household consumptions in general and retail trade in particular was positively influenced by a number of factors which boosted the purchasing power of the population, such as the continuous increase in the average salary and reductions in the sales tax rates and employee social contribution taxes.

The economy-wide average gross salary reached RON 2,887 in 2016 compared to RON 2,163 in 2013, representing a 3-year CAGR of 10.1%. This performance is mainly explained by the continuous increase in the mandatory minimum gross salary, which grew by a 3-year CAGR of 16.0% to RON 1,250 at the end of 2016, but also by the general improvements in the labour market, which resulted in the decrease of the unemployment rate to 5.9% in 2016 from 7.1% in 2013.

Regarding tax reductions, VAT for food products was reduced from 24% to 9% starting June 2015, while VAT for all other products and services was reduced from 24% to 20% starting from January 2016 and decreased further to

19% as of January 2017. Another important tax action was the reduction of the social security contributions paid by employers by 5 percentage points starting October 2014.

The Romanian economy has also enjoyed an improved macroeconomic stability over the past three years. Inflation rate reached a negative 1.6% in 2016 (mainly on the back of the lower food prices following the reduction in the VAT rate for food products), compared to negative 0.6% in 2015 and a positive 1.1% in 2014. During the same period, the national currency RON has been relatively stable, reaching an annual average of RON 4.49/EUR in 2016 compared with RON 4.44/EUR in 2014. The currency remained stable in spite of the deterioration of the current account, whose deficit reached 2.3% of GDP in 2016 compared to 1.1% in 2013, but still remained within sustainable levels, being especially financed by foreign direct investments, which stood at 2.7% of GDP in 2016 compared to 1.9% in 2013.

The consolidated budget deficit marked a significant worsening in 2016, reaching 3.0% of GDP compared to 0.8% in 2015 and 1.4% in 2014. This reversal of trend was influenced by a number of pro-cyclical measures taken by the Government, such as the significant increase in public sector wages, the reduction of VAT as well as the reduction of the social security contributions. The increased public deficit has not yet impacted the domestic public debt, which hovered at around 38-39% for the past four years, while total external debt continued to fall, reaching 54.5% of GDP in 2016, compared to 56.5% in 2015 and 63.0% in 2014.

Italy

Italy is located in Southern Europe, sharing land borders with the following countries: France, Switzerland, Austria and Slovenia. Italy is the eighth largest country in Europe by area, the fourth largest by population and the fourth largest by GDP (based on 2016 data).

The table below sets out the evolution of certain key economic indicators for Italy for the years ended 31 December 2013-2016.

	As at or for the year ended 31 December			
Key economic indicators	**2013**	**2014**	**2015**	**2016**
Population (million)	59.7	60.8	60.8	61.2
Nominal GDP (EUR billion)	1,604	1,623	1,644	1,673
Real GDP growth rate	-1.7%	0.1%	0.8%	0.9%
GDP growth by components				
Households	-2.5%	0.3%	1.6%	1.4%
Government	-0.3%	-0.7%	-0.7%	0.6%
Investment	-6.6%	-2.3%	1.6%	2.9%
Exports	0.7%	2.7%	4.4%	2.4%
Imports	-2.4%	3.2%	6.8%	2.9%
Harmonised CPI	1.2%	0.2%	0.1%	-0.1%
Current account (% of GDP)	1.0%	1.9%	1.4%	2.6%
Consolidated budget balance (% of GDP)	-2.9%	-3.0%	-2.7%	-2.4%
General government gross debt (% of GDP)	129.0%	131.8%	132.1%	132.6%
Unemployment rate	12.1%	12.7%	11.9%	11.7%
Unit labour cost growth rate (whole economy)	0.6%	0.1%	0.4%	0.8%

Source: European Commission

Italy has undergone a modest economic recovery in the past three years, with GDP increasing by 0.9% in 2016, compared to 0.8% in 2015 and 0.1% in 2014. The main driver of growth was the expansion of domestic demand, with investment enjoying a sizeable increase, supported by the accommodative monetary policy stance and by tax incentives. After eight years of contraction, construction investment rose only moderately, as the sector is still affected by financing constraints, and public investment declined. Private consumption continued to grow faster than real GDP mainly thanks to solid job creation, sustained by the implementation of labour market reforms and the reduction in the labour tax wedge. Exports and imports both decelerated compared with 2015, mirroring developments in global trade.

During the 2014-2016, consumer prices have been stable, with the harmonized CPI falling by 0.1% in 2016 compared to a growth of 0.1% in 2015 and 0.2% in 2014.

Labour market conditions have improved over the past three years, supported by reforms and the reduction in the labour tax wedge. Employment growth started to recover in 2014 when the economy was still stagnating, and this trend continued in 2015 and 2016; as a result, unemployment rate reached 11.7% in 2016, compared to 12.7% in 2014.

An improved export performance coupled with slow nominal import dynamics led to a steady increase in the current account balance, leading to a current account surplus of 2.6% of GDP in 2016, compared to 1.9% in 2014.

The headline government deficit broadly stabilised thanks to lower interest expenditure (mainly driven by the ECB's accommodative monetary policy stance) and improving cyclical conditions, reaching 2.4% in 2016 compared to 3.0% in 2014.

Although still at a very high level, Italy's gross public indebtedness has stabilized over the past three years, reaching 132.6% of GDP in 2016, compared to 131.8% in 2014.

Romanian foodservice market

Information in this Prospectus on the Foodservice sector is from independent market research carried out inter alios by Euromonitor International Limited, but should not be relied upon in making, or refraining from making, any investment decision.

The Romanian foodservice market has enjoyed continuous growth over the 2011-2016 period on the back of the improving macroeconomic environment and developing consumer appetite. We believe that the key factors that have driven the growth in demand for the foodservice sector are the following:

- Significant increase in the population's purchasing power, which was supported by the increase of the minimum gross salary from RON 600 in December 2010 to RON 1,250 (+108%) in December 2016 and of the average gross salary from RON 2,067 in December 2010 to RON 3,257 (+58%) in December 2016;
- Reduction in the VAT rate for food products from 24% to 9% starting June 2015 and for non-food products from 24% to 20% starting January 2016;
- Decreasing inflationary environment, with CPI (Consumer Price Index) falling from 6.1% in 2010 to a negative 1.5% rate in 2016; and
- Low unemployment rate, which decreased from 7.0% in 2010 to 5.9% in 2016.

The sector is highly fragmented, with independent restaurants accounting for 92% of total units and 85.5% of sales value as of year 2016 (Euromonitor, Consumer Foodservice in Romania, May 2017), while the chained restaurants segment is dominated by international brands such as McDonald's, KFC and Pizza Hut.

In terms of recent trends, sales in modern retailing have surpassed traditional retail throughout the country, leading to changes in shopping habits, as well as in foodservice consumption generally. The main attraction of modern shopping centres is easy access to both entertainment and shopping facilities in close proximity to food courts that offer meals. With investors continuing to develop large shopping centres across major cities whilst tracking shopping galleries around hypermarkets, this trend has significantly contributed to the strong development of consumer foodservice through retail units, which increased by over 12% in value terms and 10% in transaction terms in 2016 compared with the previous year (Euromonitor, Consumer Foodservice in Romania, May 2017).

We believe that the following main factors that have supported the foodservice sector's growth in recent years will continue to play a key role in the sector's development over the next few years:

- On average, the Romanian population eats out of home less frequently than in more developed countries and we expect the Romanian average to move towards the international trend;
- Expected growth of disposable income and continuously increasing levels of female employment will further support the trend of eating out;
- Romania remains underpenetrated in terms of foodservice restaurants per capita; and
- Strong minimum wage and average salary increase since 2014 resulted in strong price increase across all foodservice formats; furthermore, the current Romanian Government has indicated its intention to continue the policy of increasing the minimum wage at rates that are significantly higher than overall economic growth and consumer price inflation, leading to further increase in purchasing power of the population.

Sector development

According to Euromonitor data, the Romanian foodservice sector has grown at a CAGR of 3.4% between 2011 and 2016 to a total value of RON 17,831 million, supported mainly by more transactions, which increased at an average annual growth rate of 3.7% during the same period. According to Deloitte Analysis[1], the Romanian foodservice sector is expected to grow at an average annual growth rate of 4.6% between 2017 and 2022.

Units, Transactions and Value Sales in Consumer Foodservice 2011-2016

Indicator	2011	2012	2013	2014	2015	2016
Absolute values						
Units	24,118	24,085	24,127	24,414	24,469	24,572
Transactions (millions)	649	659	671	696	736	778
Values sales (RON million)	15,120	15,575	15,794	16,222	16,852	17,831
Annual growth rates						
Units		-0.1%	0.2%	1.2%	0.2%	0.4%
Transactions (millions)		1.6%	1.7%	3.7%	5.8%	5.7%
Values sales (RON million)		3.0%	1.4%	2.7%	3.9%	5.8%

Source: Euromonitor, Consumer Foodservice in Romania, May 2017

The foodservice sector continues to be dominated by independent players, which controlled 92% of total foodservice units in operations during the year 2016. There are notable differences between independent and chain restaurant operators in terms of unit types: 42.9% of the independent units are cafés/bars, while only 17.4% of chain units are cafés/bars, 24.1% of the independent units are full-service restaurants versus only 4.0% for chain units, with only 5.0% of the independent units being fast-food restaurants versus 33.8% for chain units.

Consumer Foodservice by Independent vs Chain: Units/Outlets 2016

Unit/Outlet type	Independent	Chain	Total	Independent	Chain	Total
	Units			Percentage of category		
100% Home Delivery/Takeaway	103	56	159	0.5%	2.7%	0.6%
Cafés/Bars	9,664	360	10,024	42.9%	17.4%	40.8%
Full-Service Restaurants	5,422	82	5,504	24.1%	4.0%	22.4%
Fast Food	1,118	698	1,816	5.0%	33.8%	7.4%
Self-Service Cafeterias	278	1	279	1.2%	0.0%	1.1%
Street Stalls/Kiosks	5,920	870	6,790	26.3%	42.1%	27.6%
Consumer Foodservice by Type	**22,505**	**2,067**	**24,572**	**100.0%**	**100.0%**	**100.0%**

Source: Euromonitor, Consumer Foodservice in Romania, May 2017.

In value terms, the vast majority of sales are still generated by the independent units, but the growth rate has been significantly slower than those of the chained units. Sales by independent units have increased by a CAGR of 2.5% between 2011 and 2016 to a total value of RON 15,241 million, representing 85.5% of the foodservice sector's total sales. During the same period, the sales of chain units increased by a CAGR of 9.8% to a total value of RON 2,591 million.

Value Sales in Consumer Foodservice by Type, Current prices (RON million)

Subcategory	2011	2012	2013	2014	2015	2016
Absolute values						
Chained units	1,626	1,704	1,858	2,059	2,341	2,591
Independent units	13,494	13,871	13,937	14,162	14,510	15,241
Total foodservice market	**15,121**	**15,575**	**15,794**	**16,222**	**16,852**	**17,831**
Percentage of total						
Chained units	10.8%	10.9%	11.8%	12.7%	13.9%	14.5%
Independent units	89.2%	89.1%	88.2%	87.3%	86.1%	85.5%

Source: Euromonitor, Consumer Foodservice in Romania, May 2017.

In terms of sales breakdown by unit type, the largest segment is represented by full-service restaurants, which accounted for 37.7% of the sector's sales in 2016, followed by cafés/bars (31.4%) and street stalls/kiosks (14.1%).

[1] Analysis performed by Deloitte Consultanta SRL, based on publicly available information; this Analysis is part of a larger market study report, which has been prepared for the internal use of Sphera

However, the most dynamic segments during the 2011-2016 period were the 100% home delivery/takeaway units, with a CAGR of 10.8%, self-service cafeterias (+7.4%), fast food (+5.6%) and full-service restaurants (+4.0%).

Value Sales in Consumer Foodservice by Type, Current prices (RON million)

Subcategory	2011	2012	2013	2014	2015	2016
Absolute values						
100% Home Delivery/Takeaway	121	136	150	165	173	202
Cafés/Bars	5,248	5,159	5,149	5,247	5,388	5,604
Full-Service Restaurants	5,532	5,653	5,820	6,010	6,235	6,715
Fast Food	1,661	1,718	1,795	1,938	2,078	2,182
Self-Service Cafeterias	423	483	524	564	590	605
Street Stalls/Kiosks	2,135	2,426	2,356	2,298	2,388	2,522
Total foodservice market	**15,120**	**15,575**	**15,794**	**16,221**	**16,852**	**17,831**

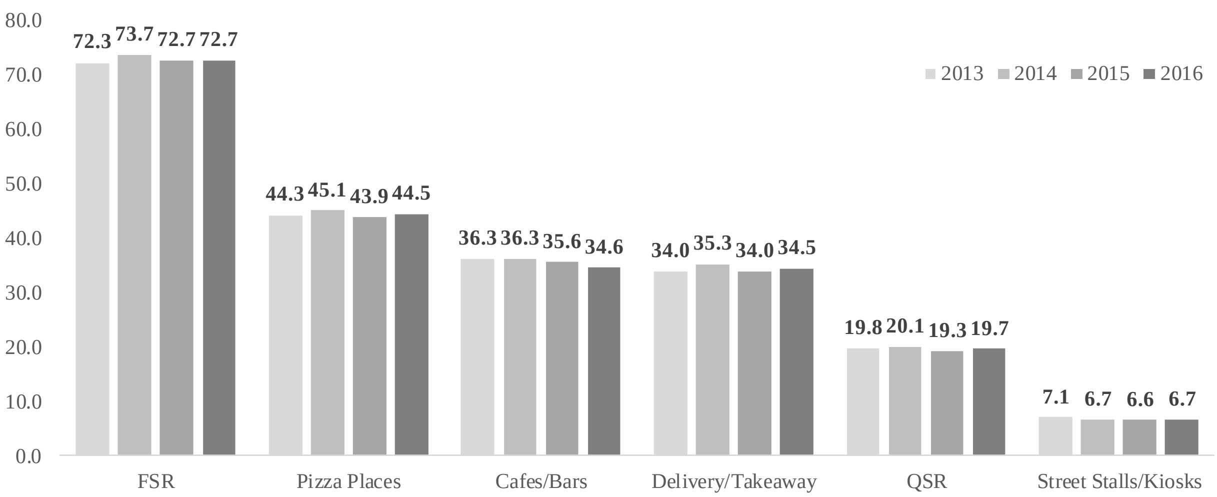
2

Percentage of total						
100% Home Delivery/Takeaway	0.8%	0.9%	0.9%	1.0%	1.0%	1.1%
Cafés/Bars	34.7%	33.1%	32.6%	32.3%	32.0%	31.4%
Full-Service Restaurants	36.6%	36.3%	36.9%	37.1%	37.0%	37.7%
Fast Food	11.0%	11.0%	11.4%	11.9%	12.3%	12.2%
Self-Service Cafeterias	2.8%	3.1%	3.3%	3.5%	3.5%	3.4%
Street Stalls/Kiosks	14.1%	15.6%	14.9%	14.2%	14.2%	14.1%

Source: Euromonitor, Consumer Foodservice in Romania, May 2017.

The following table depicts the evolution of the average ticket per main segment of the foodservice sector during the 2013-2016 period.

Average ticket size per main market segments, 2013-2016 (RON)



Source: Euromonitor, Consumer Foodservice in Romania, May 2017.

In 2016, the highest average ticket was registered by the full-service segment (RON 72.7), followed by café/bars segment (RON 34.6), delivery/takeaway segment (RON 34.5) and quick-service segment (RON 19.7).

The chained foodservice segment has been dominated by a relatively small number of brands over the past four years; the cumulative market share of the top 10 brands has been relatively constant, namely - 66.2% in 2016 from 66.6% in 2013. In the same period, the market has witnessed the erosion of McDonald's market share and the steady growth of new entrants to the Romanian market, such as Starbucks, Subway and Salad Box, albeit still with relatively lower shares.

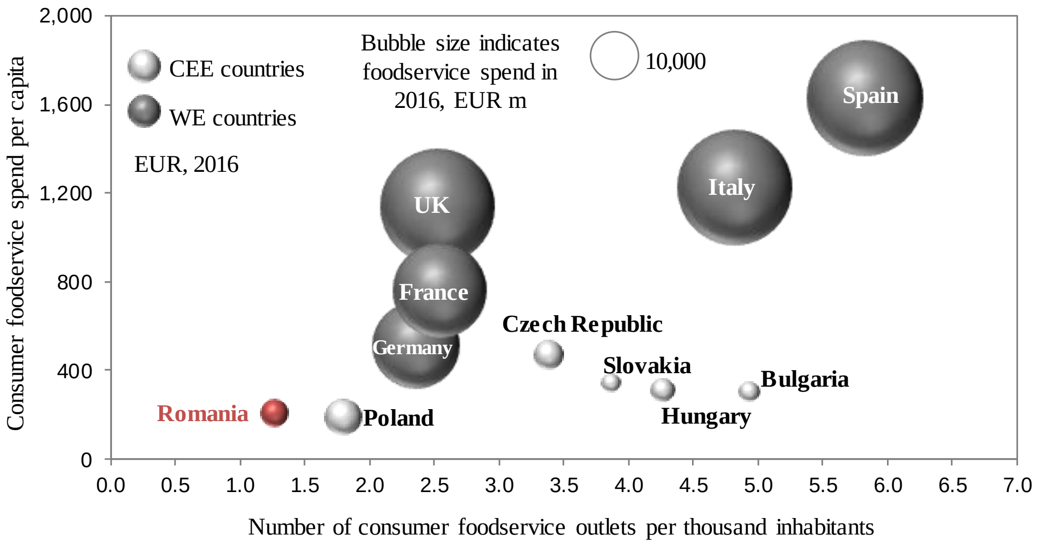
Brand	Global Brand Owner	2013	2014	2015	2016	Units in 2016
McDonald's	McDonald's Corp	28.0%	28.3%	26.1%	24.6%	68
KFC	Yum! Brands Inc	14.2%	15.3%	15.8%	15.2%	63
Pizza Hut	Yum! Brands Inc	6.6%	6.2%	6.2%	7.2%	21
Fornetti	Aryzta AG	6.8%	5.5%	5.2%	5.2%	603
Starbucks	Starbucks Corp	2.1%	2.2%	2.7%	3.3%	25
Subway	Doctor's Associates Inc	1.9%	2.1%	2.6%	2.7%	31
Salad Box	Emma Salad SRL	0.8%	1.7%	2.2%	2.5%	44
OMV Viva	OMV Tankstellen AG	2.9%	2.3%	2.1%	1.9%	140
Tip Top	Tip Top Food Industry SRL	1.8%	1.8%	2.0%	1.9%	27
Jerry's Pizza	Jerry's Pizza SRL	1.5%	1.7%	1.7%	1.7%	15
Top 10 brands		**66.6%**	**67.1%**	**66.6%**	**66.2%**	**1,036**
Other brands		33.4%	32.9%	33.4%	33.8%	1,031
Total		**100.0%**	**100.0%**	**100.0%**	**100.0%**	**2,067**

Source: Euromonitor, Consumer Foodservice in Romania, May 2017

Comparison with other European markets

The following chart presents the number of consumer foodservice outlets per thousand inhabitants and the consumer foodservice spend per capita in Romania as well as selected Central and Eastern Europe as well as Western Europe countries.

Consumer foodservice outlets versus spending per capita



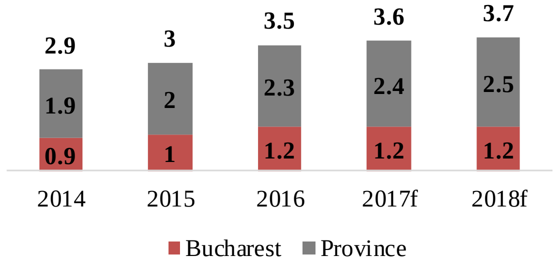
Source: Deloitte Analysis.

Romania lags other markets in Central and Eastern Europe or Western Europe both in terms of density of restaurants and consumer foodservice spend per capital. According to Deloitte Analysis based on data for the year 2016, Romania has approximately 1.3 consumer foodservice outlets per thousand inhabitants, compared to 1.8 in Poland and between 3.4 and 4.9 for Czech Republic, Slovakia, Hungary and Bulgaria. In Western Europe, the highest densities of consumer foodservice outlets are in Spain (5.8) and Italy (4.8), countries where the foodservice sector remains dominated by independent players offering mostly local cuisine. In other developed markets, where international chains have a larger presence (such as the United Kingdom, France and Germany), the number of consumer foodservice outlets is approximately 2.5 per thousand inhabitants.

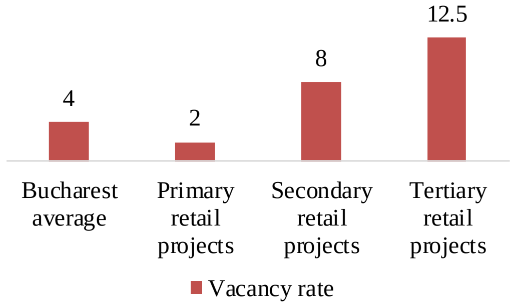
The lower restaurant density in Romania compared with other markets is mainly explained by the lower consumer foodservice spend per capita. According to Deloitte Analysis, the consumer foodservice spend per capita stood at EUR 205 in 2016, slightly higher than in Poland (EUR 188) but significantly lower than Bulgaria (EUR 300), Hungary (EUR 310), Slovakia (EUR 340) and Czech Republic (EUR 466). In Western Europe, the consumer foodservice spend per capita ranges from approximately EUR 510 in Germany to EUR 1,620 in Spain.

The following charts present information on the overall development of shopping malls in Romania, the vacancy rates for the existing units, as well as a comparison of the penetration of shopping malls in Romania compared with selected countries in Central and Eastern Europe.

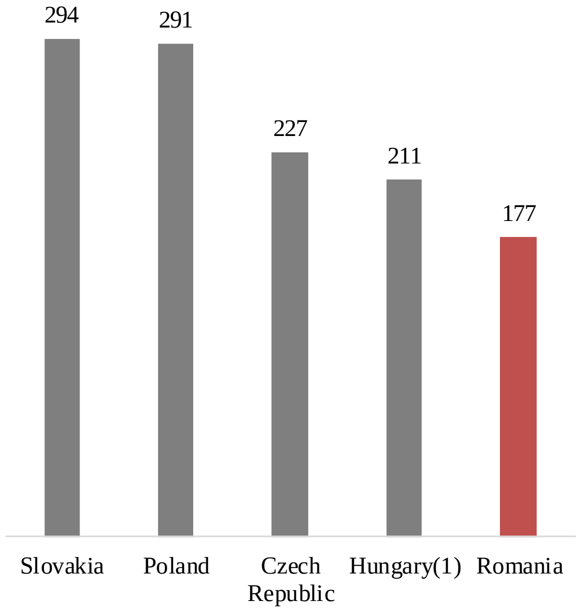
Romanian shopping malls development, 2014-2018 (million sqm.)



Vacancy rate in Romanian shopping malls, H1-2016 (%)



Penetration of shopping malls in CEE countries, 2016, Sqm per ths of population



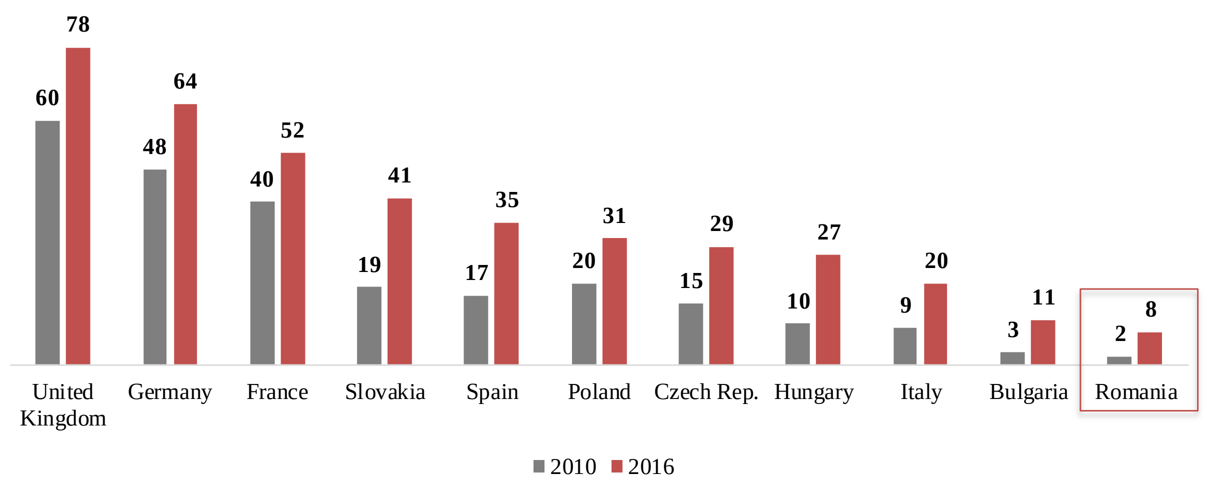
Source: Deloitte Analysis. Note: (1) Data for 2015.

According to Deloitte Analysis, the number of shopping malls in Romania has continued to grow over the past three years, with the gross letting area increasing from 2.9 million square meters in 2014 to 3.5 million square meters in 2016. Gross letting area is expected to reach 3.7 million square meters in 2018, mainly on the back of new projects outside of Bucharest. In addition, vacancy rates remain at very low levels, especially in Bucharest (4%), with primary retail projects having a vacancy rate of just 2%.

Despite this growth, the penetration of shopping malls in Romania remains among the lowest in the Central and Eastern Europe ("**CEE**") region. According to Deloitte Analysis as of the year 2016, Romania had approximately 177 square meters of shopping mall gross letting area per thousand inhabitants, compared to 211 sqm in Hungary (based on 2015 data), 227 in the Czech Republic, 291 in Poland and 294 in Slovakia.

The following chart shows a comparison of the penetration rate of online food purchases for selected countries in Central and Eastern Europe as well as in Western Europe.

Penetration of online purchase of food in the last 3 months (%)



Source: Deloitte Analysis; Data refers to a three month period preceding the report date in each year

According to the data in the above chart, although Romania has enjoyed a significant increase in the penetration rate of online purchases of food from 2% in the year 2010 to 8% in the year 2016, it still lags behind most other countries: as of 2016, the average penetration rate in Central and Eastern Europe was 28% (with a minimum of 11% in Bulgaria and a maximum of 41% in Slovakia), while the average penetration rate in Western Europe was 50% (with a minimum of 20% in Italy and a maximum of 78% in United Kingdom).

Competition

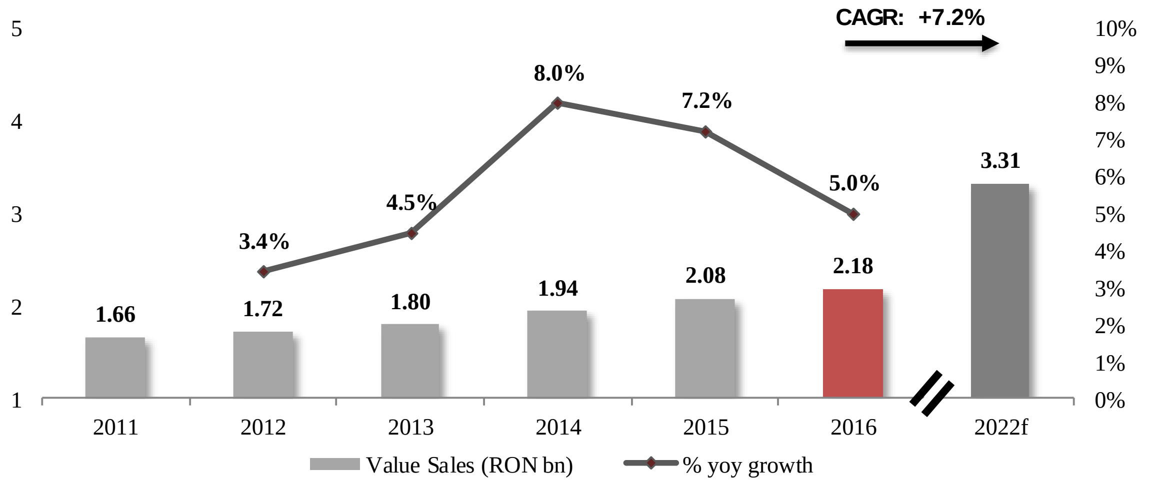
The Group operates in three segments of the foodservice sector: quick-service restaurants (through the KFC brand), full-service restaurants (through the Pizza Hut Dine-In brand) and delivery (through the Pizza Hut Delivery brand).

Quick-service restaurants

Quick-service restaurants (QSR) are a specific type of restaurants that offer ready-to-eat food, with a quick ordering and serving time and minimal table service. While the food served in fast food restaurants can vary substantially, it is generally cooked in bulk in advance and kept hot, finished and packaged to order, and usually available for take away, though seating may be provided at the restaurant. Fast food restaurants are typically part of a restaurant chain or franchise operation that provisions standardized ingredients and/or partially prepared foods and supplies to each restaurant through controlled supply channels.

The following chart depicts the development of value sales of the quick-service restaurant segment during the 2011-2016 period, as well as the expected level by the year 2022.

Development of Quick-service segment during 2011-2016 and expected growth until 2022

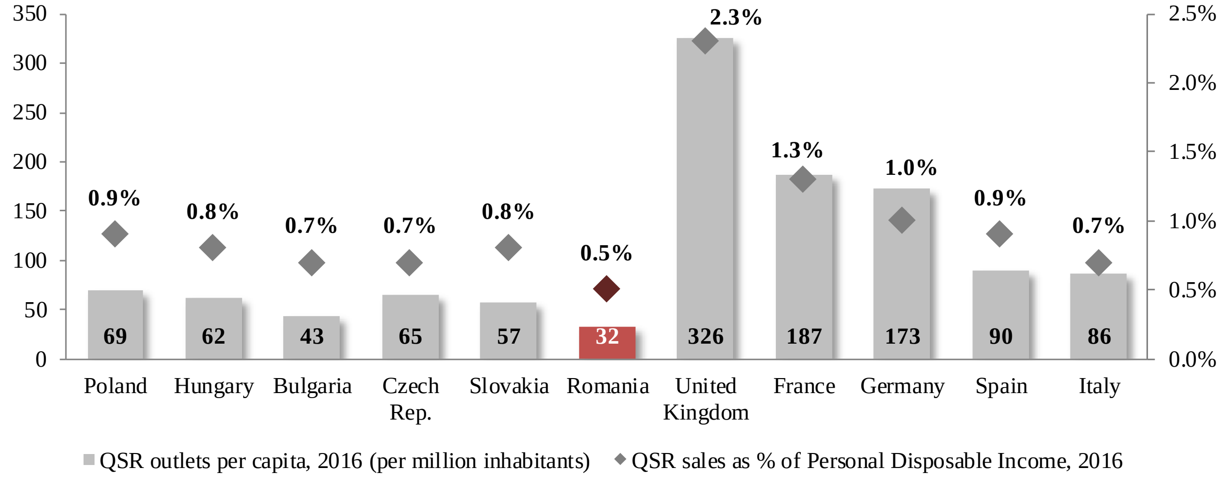


Source: Euromonitor, Consumer Foodservice in Romania, May 2017; forecasts according to Deloitte Analysis.

The value sales of quick-service restaurants reached RON 2.18 billion in 2016 compared to RON 1.66 billion in 2011, representing a CAGR of 5.6%. For the 2017-2022 period, based on the Deloitte Analysis, the quick-service segment is expected to grow at an average annual growth rate of 7.2% to a total value of RON 3.31 billion by year 2022. This growth rate is expected to be fuelled by the opening of new restaurants and the increase in the frequency of eating out on the back of higher disposable income of the Romanian population.

The following chart presents a comparison of the market penetration of quick-service segment in Romania versus CEE and Western Europe for the year 2016.

Market penetration of quick-service segment in Romania versus CEE and Western Europe

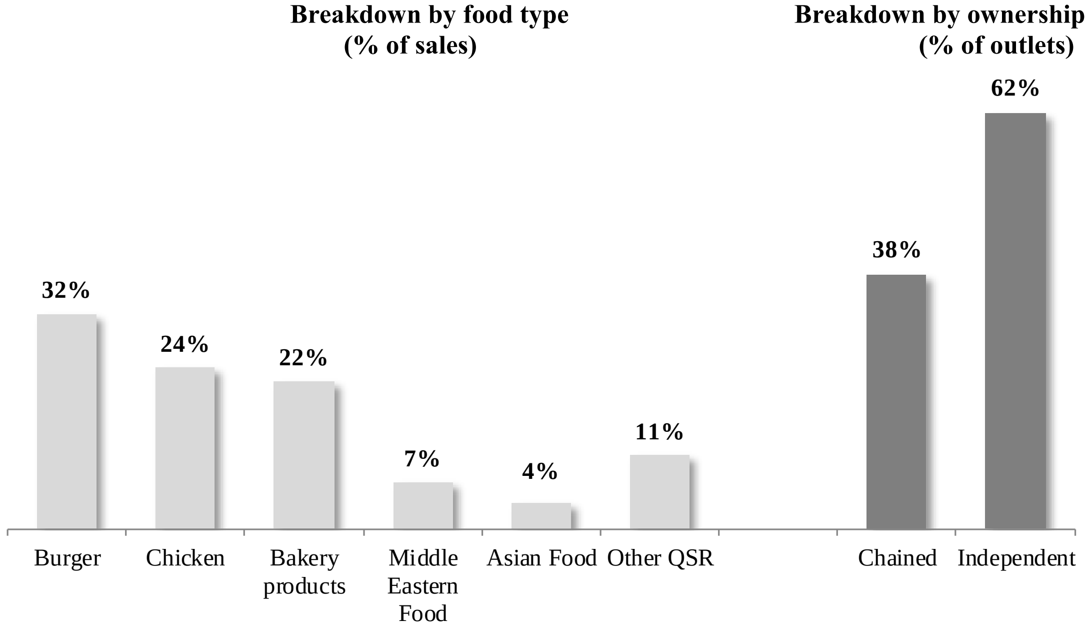


Source: Deloitte Analysis.

According to the data in the chart above, in 2016, Romania had both the lowest density of quick-service restaurants, but also the lowest quick-service sales as a proportion of personal disposable income. Romania had 32 quick-service restaurants per million inhabitants, compared to a range of between 43 (Bulgaria) and 69 (Poland) in Central and Eastern Europe, while Western European countries range between 86 (Italy) and 326 (United Kingdom). At the same time, quick-service sales as a proportion of personal disposable income stood at 0.5% in Romania compared to a range of between 0.7% (Bulgaria and Czech Republic) and 0.9% (Poland) in Central and Eastern Europe, while Western European countries range between 0.7% (Italy) and 2.3% (United Kingdom). Management expects that over time the average Romanian spend on QSRs is likely to move toward international norms.

The following chart depicts the structure of the quick-service foodservice segment by food type and by ownership as of the year 2016.

Structure of the quick-service foodservice segment by food type and by ownership as of the year 2016



Source: Euromonitor, Consumer Foodservice in Romania, May 2017

The quick-service service market, which is 38% owned by chain operators (the highest percentage among all segments of the foodservice sector), is dominated by three food types, namely burger (32% market share), chicken (24% market share) and bakery products (22% market share).

The Romanian quick-service market is dominated by chained restaurants and particularly those operating under international brands. The market leader remains McDonald’s, with a market share of 29.2% in 2016 (compared to 30.4% in 2011), followed by KFC (with market share of 18.0% in 2016 compared to 12.2% in 2011) and Subway (which entered the Romanian market in 2011 and reached a market share of 3.2% in 2016).

Market share of the main brands in the fast food segment

Brand	National Brand Owner	2011	2012	2013	2014	2015	2016
McDonald's	Premier Restaurants Romania SRL	30.4%	29.5%	29.0%	30.1%	29.4%	29.2%
KFC	US Food Network SA	12.2%	13.5%	14.7%	16.2%	17.8%	18.0%
Subway	Doctor's Associates Inc		1.5%	1.9%	2.3%	2.9%	3.2%
Salad Box	Emma Salad SRL			0.9%	1.8%	2.5%	2.9%
OMV Viva	OMV Romania Mineraloel SRL	3.1%	3.1%	3.0%	2.5%	2.4%	2.3%
Tip Top	Tip Top Food Industry SRL	3.1%	2.8%	1.8%	2.0%	2.3%	2.3%
Springtime	Spring Prod Com SRL	3.1%	2.3%	2.4%	2.0%	2.2%	1.9%
Paul	Moulin d'Or SRL	1.1%	1.4%	1.6%	1.6%	1.6%	1.8%
Chopstix	MLS Invest Trading SRL	1.3%	1.4%	1.7%	1.7%	1.7%	1.8%
Hei	KMG Rompetrol	1.6%	1.5%	1.4%	1.3%	1.3%	1.3%
Top 10 brands		**55.9%**	**57.0%**	**58.4%**	**61.5%**	**64.1%**	**64.7%**
Others	Others	44.1%	43.0%	41.6%	38.5%	35.9%	35.3%
Total	**Total**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

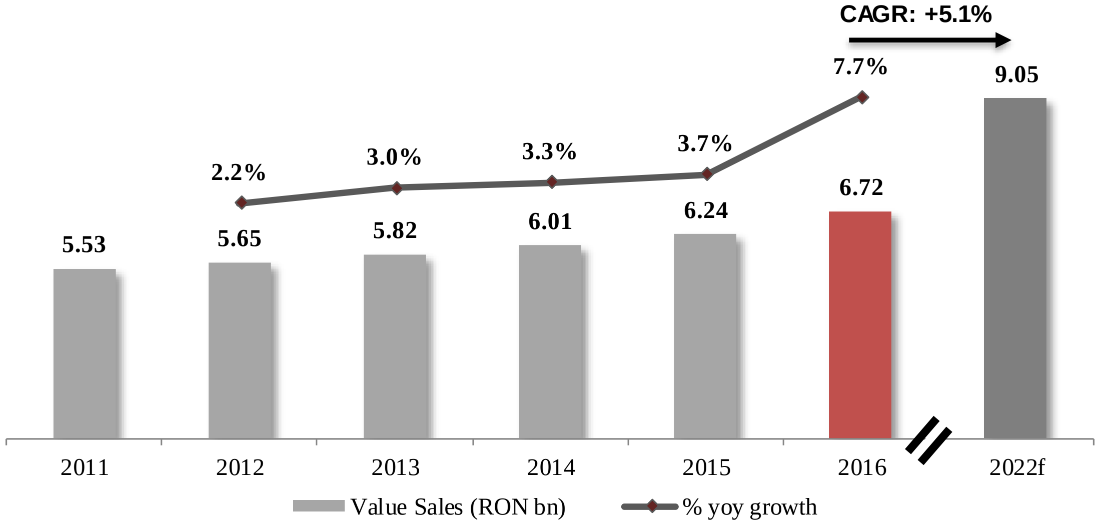
Source: Euromonitor, Consumer Foodservice in Romania, May 2017

Full-service restaurants

Full-service restaurants are restaurants offering a wide range of made-to-order food that is served directly to the customers’ table. These restaurants may sell alcoholic beverages; provide takeout, delivery or present live entertainment. The term "full service" can encompass anything from a family-style eatery to an elegant restaurant, ranging from casual dining to fine dining. The range of food offered is generally local traditional, with an increasing number of establishments offering international, country-specific cuisine (such as Italian, French, Greek, Mexican, Asian/Chinese etc.).

The following chart depicts the development of value sales of the full-service restaurant segment during the 2011-2016 period, as well as the expected level by the year 2022.

Development of full-service segment during 2011-2016 and expected growth until 2022

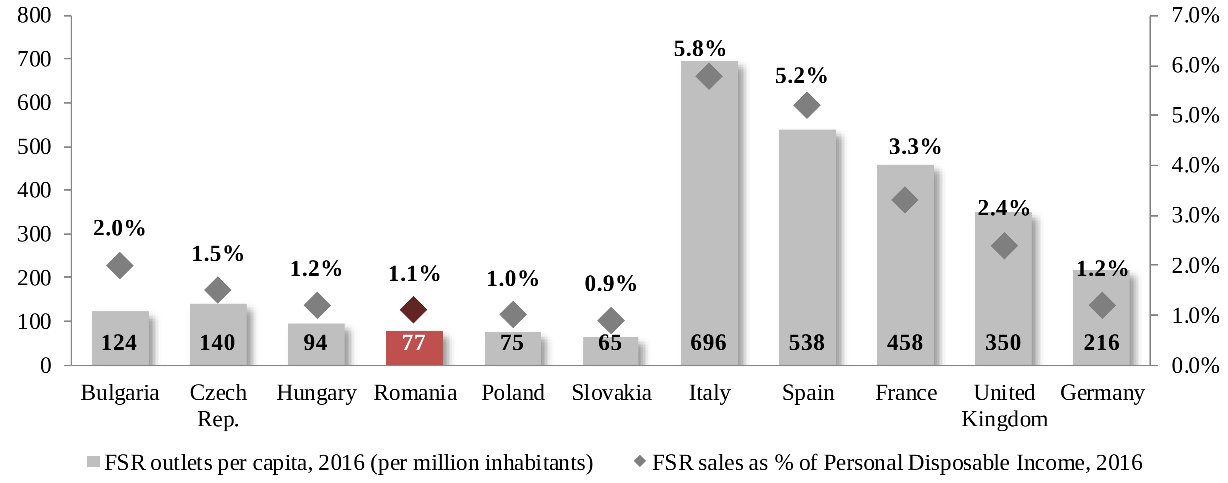


Source: Euromonitor, Consumer Foodservice in Romania, May 2017; forecasts according to Deloitte Analysis.

The value sales of the full-service restaurants sector reached RON 6.72 billion in 2016 compared to RON 5.53 billion in 2011, representing a CAGR of 4.0%. For the 2017-2022 period, based on the Deloitte Analysis a CAGR of 5.1% to a total value of RON 9.05 billion is expected by year 2022. This growth rate is expected to be fuelled by the opening of new restaurants and the increase in the frequency of eating out on the back of higher disposable income of the Romanian population.

The following chart presents a comparison of the market penetration of full-service segment in Romania versus CEE and Western Europe for the year 2016.

Market penetration of full-service segment in Romania versus CEE and Western Europe



Source: Deloitte Analysis.

According to the data in the chart above, with a restaurant density of 77 per million inhabitants and full-service restaurant sales of 1.1% of the personal disposable income, Romania ranks higher than Slovakia and Poland, but is significantly lower than Hungary, Czech Republic and Bulgaria. In Western Europe, restaurant density ranges between 216 units in Germany and 969 units in Italy, while the full-service restaurant sales as percentage of personal disposable income ranges between 1.2% in Germany and 5.8% in Italy.

In Romania, the full-service market is still largely dominated by the small independent restaurants, with an overall market share slightly decreasing from 97.6% in 2011 to 95.2% in 2016. The leading brand in this segment is Pizza Hut Dine-In, with a market share of 2.8% in 2016 (2011: 2.0%), followed by Trattoria Il Calcio (market share of 0.6% in 2016) and Taverna Sarbului (market share of 0.5% in 2016).

Market share of the main brands in the full-service segment

Brand	National Brand Owner	2011	2012	2013	2014	2015	2016
Pizza Hut	American Restaurant System SA	2.0%	2.1%	2.1%	2.1%	2.3%	2.8%
Trattoria Il Calcio	Restaurante Trattoria IL Calcio SRL			0.6%	0.5%	0.6%	0.6%
Taverna Sarbului	Taverna Sarbului SRL		0.4%	0.4%	0.4%	0.5%	0.5%
City Grill	Trotter Prim SRL	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%
La Placinte	Andy's Pizza SRL			0.0%	0.2%	0.4%	0.4%
Top 5 brands		**2.4%**	**2.9%**	**3.6%**	**3.7%**	**4.3%**	**4.8%**
Others	Others	97.6%	97.1%	96.4%	96.3%	95.7%	95.2%
Total	**Total**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Euromonitor, Consumer Foodservice in Romania, May 2017.

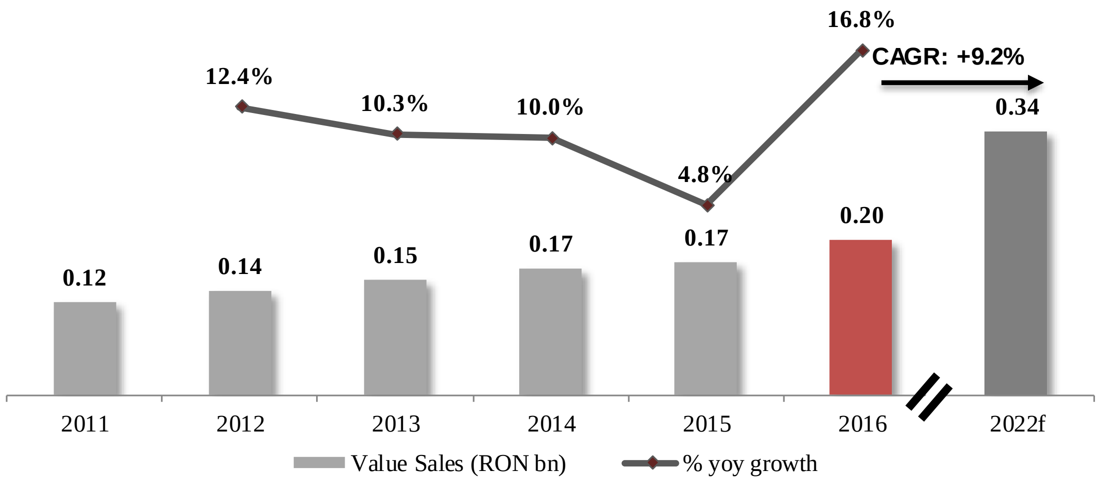
In terms of network size, Pizza Hut (Dine-In) operates 21 restaurants, compared to 18 for City Grill, 14 by Trattoria Il Calcio, 13 for La Placinte and 6 for Taverna Sarbului. At the same time, Pizza Hut (Dine-In) has the largest restaurant network outside Bucharest, with 10 restaurants opened in 8 cities, followed by Taverna Sarbului with 5 restaurants, La Placinte with 4 restaurants, Trattoria Il Calcio with 2 restaurants, while City Grill does not have any restaurants outside Bucharest.

Home Delivery/Takeaway

Home Delivery/Takeaway units are businesses selling food that is intended to be eaten off the premises. Food can either be taken "to go" by the consumer or delivered to the consumer’s home or place of choice. Some of the restaurants may offer take out, delivery and catering services alongside the main "sit down" area of the restaurant whereas other units offer only take-out and delivery services.

The following chart depicts the development of value sales of the home delivery/takeaway segment during the 2011-2016 period, as well as the expected level by the year 2022.

Development of home delivery/takeaway segment during 2011-2016 and expected growth until 2022

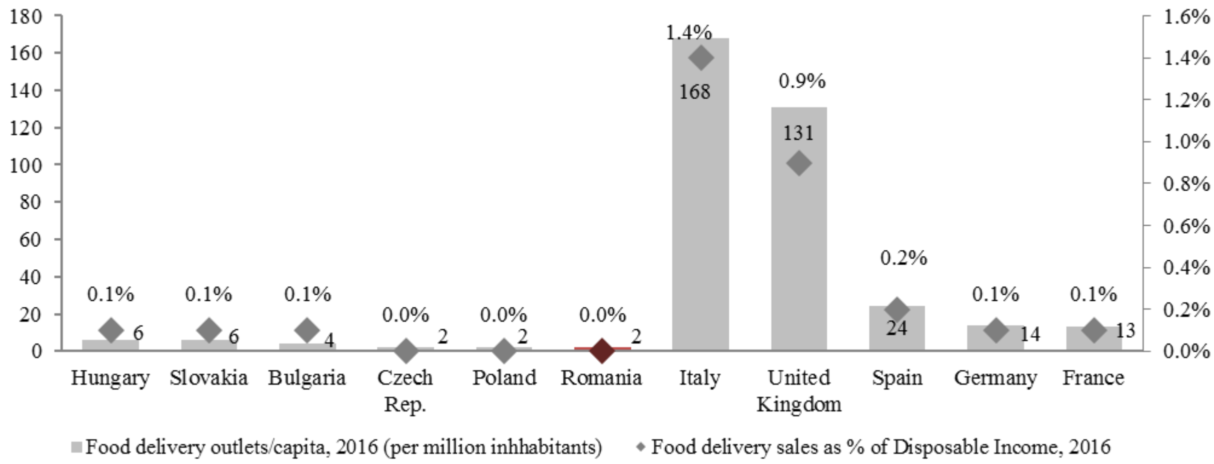


Source: Euromonitor, Consumer Foodservice in Romania, May 2017; forecasts according to Deloitte Analysis.

The value sales of the home delivery/takeaway foodservice segment reached RON 0.20 billion in 2016 compared to RON 0.12 billion in 2011, representing a CAGR of 10.8%. For the 2017-2022 period, based on the Deloitte Analysis, an average annual growth rate of 9.2% to a total value of RON 0.34 billion is expected by year 2022. This growth rate is expected to be fuelled by the opening of new delivery units and the increase in the frequency of ordering-in on the back of higher disposable income of the Romanian population and developing consumer dining trends.

The following chart presents a comparison of the market penetration of home delivery/takeaway foodservice segment in Romania versus CEE and Western Europe for the year 2016.

Market penetration of home delivery/takeaway segment in Romania versus CEE and Western Europe

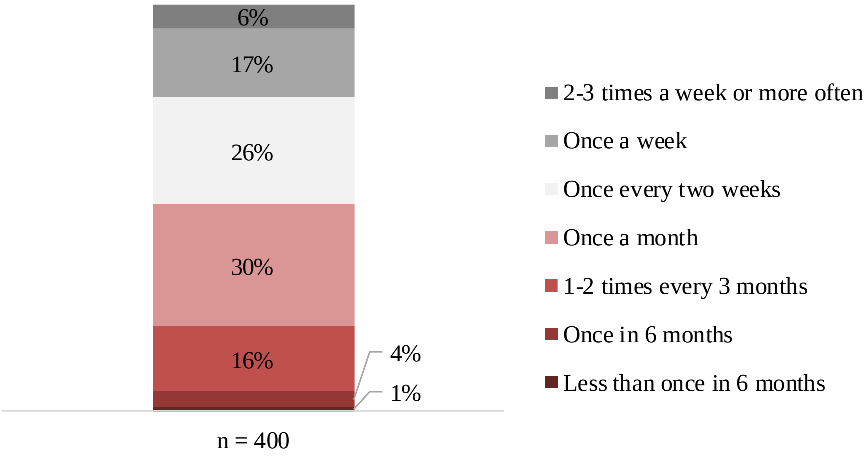


Source: Deloitte Analysis

According to the data in the chart above, Romania has a similar density of delivery/takeaway outlets as Poland and Czech Republic (2 outlets per million inhabitants), compared to a maximum of 6 in Hungary and Slovakia. In Western Europe, this density varies between 13 outlets in France and 168 outlets in Italy.

The following chart presents the breakdown of pizza ordering frequency in Bucharest, based on a survey conducted by Kantar Millward Brown in February 2016 ("Usage & attitudes on the pizza delivery market") among the population in the 16-49 age group who ordered pizza within the past three months.

Pizza ordering frequency (Feb 2016) on the 16-49 age group in Bucharest



Source: Kantar Millward Brown Report – Usage & attitudes on the pizza delivery market, February 2016.

According to the data in the above chart, approximately 79% of the population within the 16-49 age group in Bucharest who ordered pizza within the past three months have an ordering frequency of at least once a month; in our opinion, this shows that as an increasing share of the population starts making use of delivery services (especially pizza), a significant proportion of them may become more frequent customers of the delivery services.

The delivery market is mainly controlled by a few local and international brands; top four players in this segment focus on pizza, though some offer more extended menus including pasta, meat dishes or salads. As of 2016, the market leader was Jerry's Pizza (with a market share of 22.3%), followed by Pizza Hut Delivery (with a market share of 20.6%) and Domino's Pizza (with a market share of 13.6%).

Market share of the top 5 brands in the 100% Home Delivery/Takeaway segment

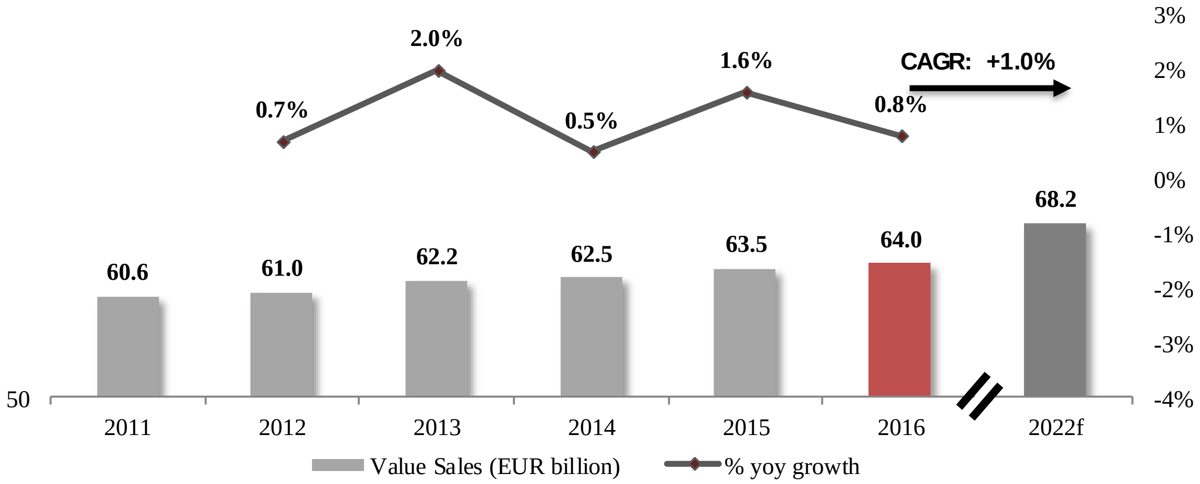
Brand	National Brand Owner	2011	2012	2013	2014	2015	2016
Jerry's Pizza	Jerry's Pizza SRL	16.6%	18.6%	18.9%	21.1%	23.1%	22.3%
Pizza Hut Delivery	American Restaurant System SA	10.4%	14.7%	18.5%	20.2%	21.1%	20.6%
Domino's Pizza	Domino's Pizza Maxim SRL	8.9%	6.6%	6.4%	5.1%	6.6%	13.6%
Trenta Pizza	Infop Perfectionare si Dezvoltare	12.0%	11.7%	11.4%	11.4%	10.0%	10.5%
Wu Xing	Quick Best Food SRL	4.8%	3.8%	3.5%	3.5%	3.3%	2.8%
Top 5 brands		**52.7%**	**55.4%**	**58.7%**	**61.3%**	**64.1%**	**69.8%**
Others	Others	47.3%	44.6%	41.2%	38.7%	35.8%	30.2%
Total	**Total**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Euromonitor, Consumer Foodservice in Romania, May 2017.

The foodservice sector in Italy

The following chart depicts the development of the foodservice sector in Italy during the 2011-2016 period, as well as the expected level by the year 2022.

Development of foodservice sector in Italy during 2011-2016 and expected growth until 2022

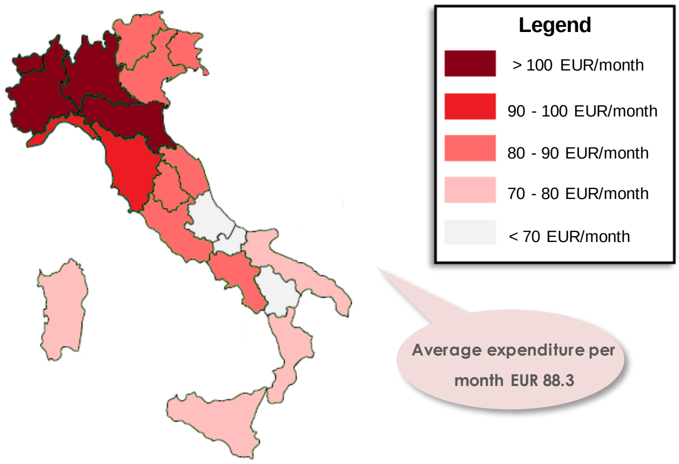


Source: Deloitte Analysis.

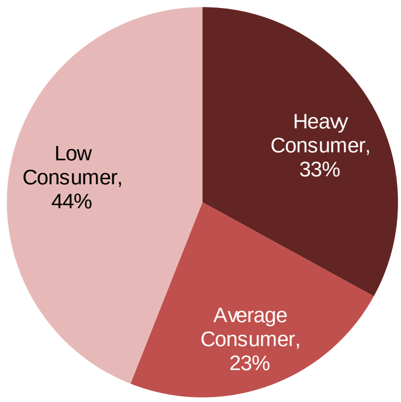
The foodservice sector reached EUR 64.0 billion in 2016 compared to EUR 60.6 billion in 2011, representing a CAGR of 1.1%. For the 2017-2022 period, based on the Deloitte Analysis, the foodservice sector is expected to increase at an average annual growth rate of 1.0%, leading to a total value of EUR 68.2 billion by year 2022. With Italy being a very mature market in terms of restaurant density and food consumer habits, we expect the future growth of the overall foodservice sector to come mainly from a gradual increase in personal disposable income, which will be supported by general macroeconomic growth and a continued reduction in the unemployment rate.

The following charts present the foodservice spending by region as well as the consumer eat-out frequency in Italy.

Out-of-home Foodservice spending by region (EUR/month)



Consumer eat-out frequency (2015)



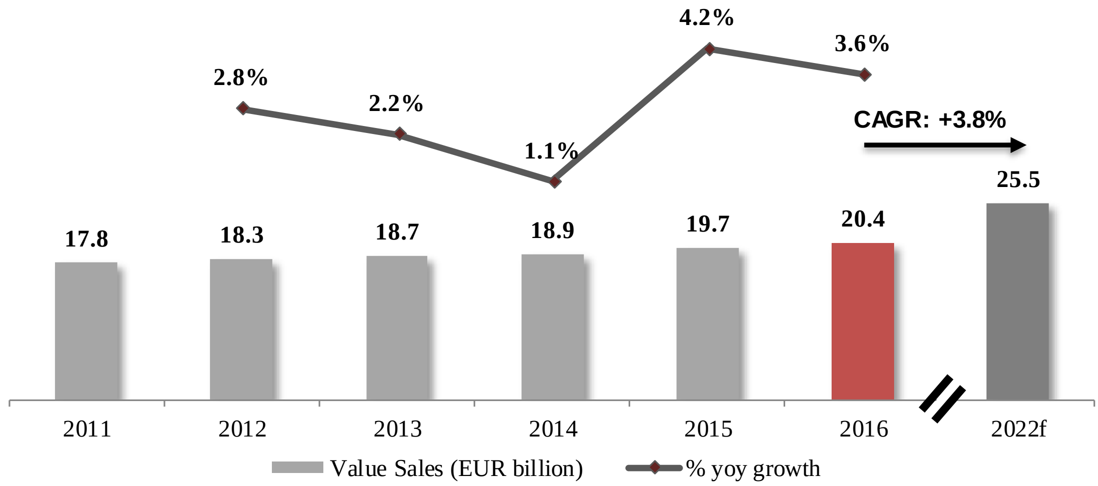
Source: Deloitte Analysis.

The average monthly foodservice out of home spending stands at approximately EUR 88.3 per inhabitant, with the higher than average spending in the North-Western, North-Central and North-Eastern parts of Italy. This spending distribution is explained both by the fact that the Northern part of Italy is more developed than the Southern part, commanding a higher personal disposable income, as well as by the significant inflow of tourists, especially in the Veneto, Toscana, Lombardia and Emilia-Romagna regions.

As much as 33% of the foodservice customers fall into the high-frequency category, taking more than four meals per week outside home. Of this heavy consumer category, 51% are men, 25% are within the 35-44 age group, 30% are coming from North-Western Italy, 31% live in cities of 5-40 thousand inhabitants, and 33% comprise families with 3 members.

The following chart depicts the development of the quick-service foodservice segment in Italy during the 2011-2016 period, as well as the expected level by the year 2022.

Development of quick-service foodservice sector in Italy during 2011-2016 and expected growth until 2022

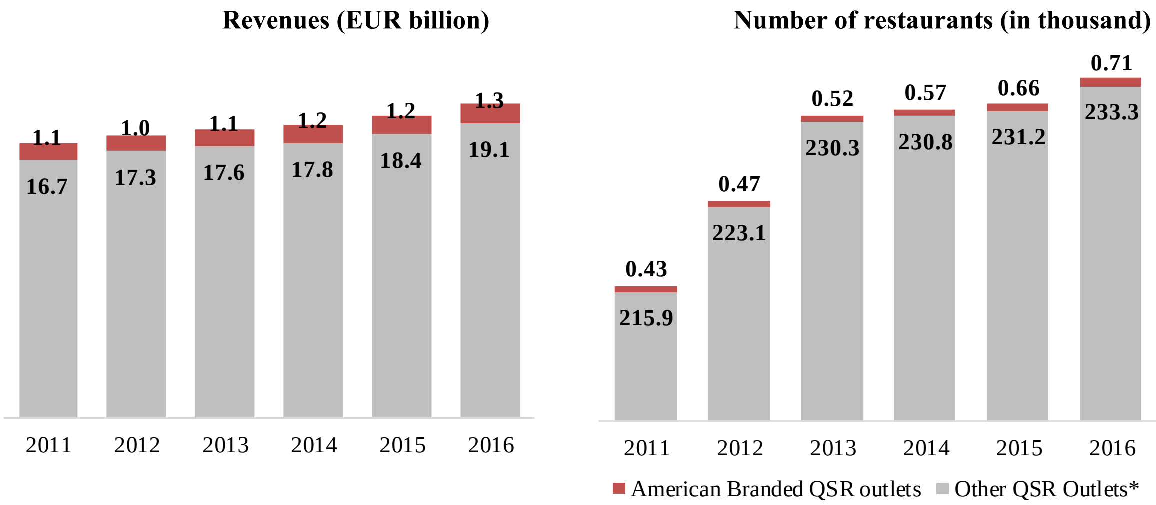


Source: Deloitte Analysis.

The quick-service foodservice sector reached EUR 20.4 billion in 2016 compared to EUR 17.8 billion in 2011, representing a CAGR of 2.7%. For the 2017-2022 period, based on the Deloitte Analysis the average annual growth rate to reach 3.8%, leading to a total value of EUR 25.5 billion is expected by year 2022. This more accelerated growth, both compared with the overall foodservice sector growth and the historic growth of the quick-service segment, is expected to be fuelled by the continuous proliferation of chained networks, especially well established international brands, which might grow at the expense of the traditional cuisine offered mainly through independent full-service operators.

The following chart depicts the development of the quick-service revenues and outlets by main segments during the 2011-2016 period.

Development of quick-service revenues and outlets by main segments during 2011-2016

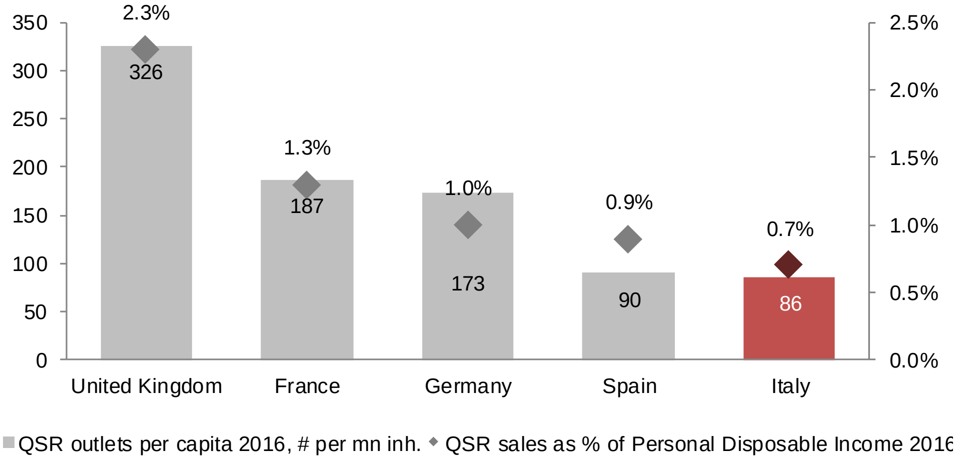


*Source: Deloitte Analysis. Notes *) Includes bars, cafes and other typical Italian cafeterias.*

The number of the American-branded quick-service restaurant outlets increased by a CAGR of 10.5% over the 2011-2016 period to a total of 710 units, while the number of other quick-service restaurant outlets increased during this period by only 1.6% to 233.3 thousand. At the same time, the overall sales of the American-branded quick-service restaurant outlets increased by a CAGR of 3.2% over the 2011-2016 period to a total of EUR 1.3 billion, while the sales of other quick-service restaurant outlets increased during this period by 2.7% to EUR 19.1 billion.

The following chart presents a comparison of the market penetration of quick-service segment in Italy versus other large Western Europe countries for the year 2016.

Market penetration of quick-service segment in Italy versus Western Europe



Source: Deloitte Analysis

According to the data in the chart above, in 2016, Italy has both the lowest density of quick-service restaurants, but also the lowest quick-service sales as percentage of personal disposable income among the large countries in Western Europe. Italy had 86 quick-service restaurants per million inhabitants, compared to 90 in Spain, 173 in Germany, 187 in France and 326 in United Kingdom. At the same time, quick-service sales as percentage of personal disposable income stood at 0.7% in Italy compared to 0.9% in Spain, 1.0% in Germany, 1.3% in France and 2.3% in United Kingdom.

The following table presents the top quick-service restaurant operators in Italy, based on the sales for the year 2015, as well as the size of their restaurant network as of 20 July 2017.

Top 10 quick-service players versus KFC in Italy

Rank	Brand	Value proposition focus	Sales (2015) (EUR million)	No. of outlets (2017[1])
1	McDonald's	Burgers, chicken	704	551
2	Autogrill	Burgers, chicken, pizza	373	383
3	Burger King	Burgers, chicken	158	145
4	Old Wild West	Burgers, chicken	125	161
5	Roadhouse Grill	Burgers, chicken	100	105
6	Spizzico	Pizza	98	118
7	Chef Express	Burgers, chicken, pizza	69	117
8	La Piadineria	Traditional – piadas	29	142
9	100 Montaditos	Sandwiches, Spanish traditional	20	47
10	Panino Giusto	Traditional – paninis	19	22
11	KFC	Chicken	10	14

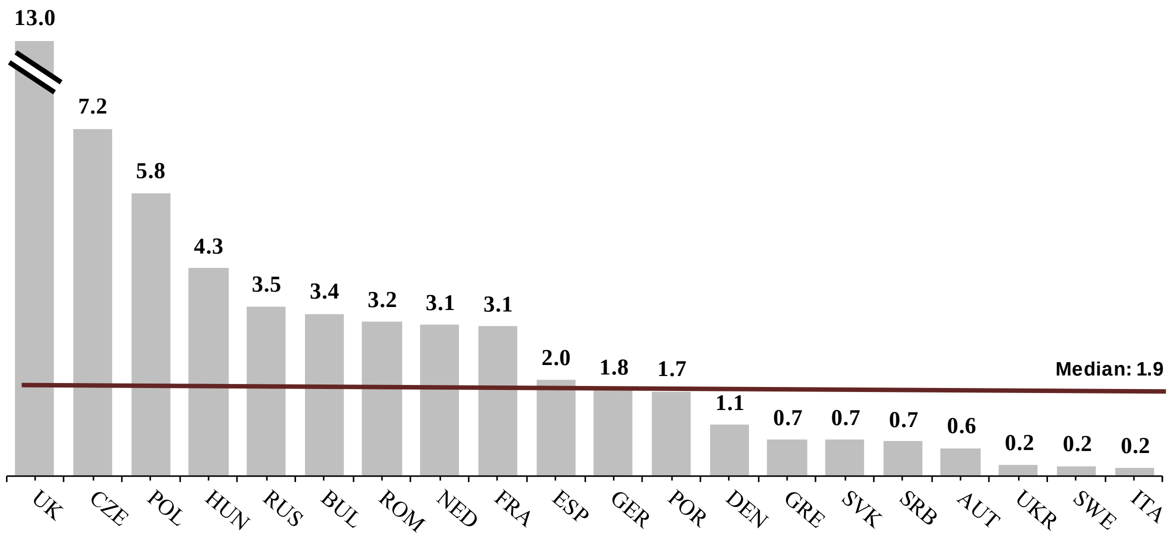
Source: Deloitte Analysis; Data as of 20 July 2017

The largest company in the Italian quick-service market is McDonalds, with sales of EUR 704 million for the year 2015 and 551 units, followed by Autogrill (sales of EUR 373 million, 383 units) and Burger King (sales of EUR 158 million, 145 units).

The two leading international chains, McDonalds and Burger King, have a relatively similar distribution of their network within the main regions of Italy. McDonald's operates 36% of its restaurants in North-West compared to 33% for Burger King, 21% of its restaurants in North-East compared to 21% for Burger King, 25% of its restaurants in Center compared to 32% for Burger King and 18% of its restaurants in South compared to 14% for Burger King.

The following charts show the density of KFC restaurants in Italy versus other European markets.

Density of KFC restaurants in Italy versus other European markets (units/million inhabitants)



Source: Eurostat, Yum! website.

Italy has one of the lowest densities of KFC units in Europe, with only 0.2 units per million inhabitants. Comparatively, Romania has a density of 3.2 units, Poland – 5.8, Czech Republic – 7.2, while UK – 13.0. Management believes that the low density of KFC units compared to other European countries and to McDonald's in Italy indicates a significant expansion opportunity for the Group.

BUSINESS

Overview

The Company's principal business is holding and managing the participations in a number of companies operating restaurants under the KFC, Pizza Hut and Taco Bell franchises in Romania, the Republic of Moldova and Italy.

The Company was established in May 2017 to bring under the same entity the members of the Group. It holds as of the date of this Prospectus (a) a controlling stake of 99.99% in the companies: USFN (Romania) (a joint-stock company established in 1994, holding the franchise rights to operate KFC-branded restaurants in Romania), ARS (Romania) (a joint-stock company established in 1994, holding the franchise rights to operate Pizza Hut-branded restaurants in Romania) and California Fresh Flavors (Romania) (a limited liability company established in June 2017, holding the franchise rights to operate Taco Bell branded restaurants in Romania), (b) a controlling stake of 80% in USFN (Moldova) (a limited liability company established in 2008, holding the franchise rights to operate KFC branded restaurants in the Republic of Moldova), and (c) full ownership (100%) in USFN (Italy) (a limited liability company established in 2016, which holds the franchise rights to operate KFC branded restaurants in certain regions of Italy). The Company acquired the holdings in USFN (Romania) and ARS (Romania) by way of an in-kind share capital increase carried out in 2017, whereby the current shareholders of the Company have contributed to the Company's share capital all (but one share) held in USFN (Romania) and ARS (Romania). Also in 2017, the current shareholders of the Company transferred their holdings in USFN (Moldova) and USFN (Italy) to the Company. For more details on the current Group structure, please see "*Corporate Structure*" below.

The Company's ultimate beneficial owners are Mr. Radu Dimofte (holding a 43.67% indirect stake in the Company), Mr. Lucian Vlad (holding a 33.33% indirect stake in the Company) and Mr. Nicolae Badea (holding a 23.00% indirect stake in the Company). The three shareholders have been part of the founding shareholders that have developed KFC and Pizza Hut franchised restaurants in Romania.

The Group's franchised foodservice business was launched in 1994, long before the establishment of the Company, with the opening of the first Pizza Hut location, which was followed by the opening in 1997 of the first KFC location, both in Bucharest. As of 30 September 2017, the Group operates 104 restaurants, of which 67 KFC restaurants (63 restaurants located in Romania, 2 restaurants located in the Republic of Moldova and 2 restaurants in Italy) and 37 Pizza Hut units (of which 16 are delivery units). On 12 October 2017, California Fresh Flavors (Romania) opened the first Taco Bell restaurant in Romania. Through USFN (Romania), with consolidated restaurant sales of RON 418 million in 2016, we are the second largest restaurant group in the quick-service restaurant sector in Romania and, through ARS (Romania), with restaurant sales of RON 97 million in 2016, we are the largest restaurant group in the full-service restaurant sector in Romania.

Our business is conducted through the following segments:

- Quick-service restaurants - through our KFC restaurants, in Romania, the Republic of Moldova, and Italy;
- Full-service restaurants - through our Pizza Hut Dine-In restaurants in Romania;
- Delivery restaurants - through our Pizza Hut delivery units in Romania.

In the years ended 31 December 2014, 2015 and 2016, our pro-forma consolidated sales were RON 325 million, RON 406 million and RON 514 million, respectively. In the six months ended 30 June 2017, we had total sales revenues of RON 288 million.

The Company's core value proposition

Our core value proposition centres around the following four pillars, which over the years have contributed to our strong operating performance and track record, based on the following value drivers: (1) the internationally recognizable and successful brands that we operate in our portfolio, (2) the successful selection of key locations for the roll-out of our restaurant network, (3) our strong marketing efforts and partnerships, and (4) our product quality and positioning.

Successful international brands in our restaurant portfolio

We are operating brands with a strong market recognition, locally and internationally. Our brand portfolio is complimentary, with no product overlaps, and we are continuously focused on the expansion and diversification of our brand portfolio.

Location identification and selection process

We have been highly effective in selecting and securing locations that are value accretive through extensive research in order to identify the optimal geographic area and format for our restaurant roll-out plans over the years. Our typical pattern of development focuses on building significant customer penetration, brand affection and loyalty in the Bucharest market first, before continuing our expansion into major cities (over 200,000 population) and smaller ones (below 200,000 population).

Strong marketing effort and partnerships

We are cooperating throughout the spectrum of our marketing and PR activities with B.V. McCann - Erickson S.R.L., a leader in Advertising & Media in Romania, and with Golin Harris Public Relations S.A., one of the most awarded PR agencies in Romania, who together with our highly effective and skilled marketing professionals maximize the results of our marketing effort. We operate our marketing activities through a wide range of communication channels including social media and other online channels, with increased technology and digital focus across all brands, having a positive impact on brand loyalty and consumer awareness. Our success in digital marketing has led to a number of campaigns "going viral" amongst our customer base and potential customer base which we believe has generated increased brand recognition and group sales.

Product quality and positioning

We are able to offer a wide product range that is identified by its high quality and execution, as well as its affordable price positioning within the markets that we operate and across our brands. We are offering products that are popular among our customer base, with price positioning that enhances value options and deals, as well as increasing convenience of ordering. We are also continuously expanding the menu offering across our brands driving high existing customer retention but also appealing to new customer segments.

Competitive Strengths

We believe that the following competitive strengths have been key factors for the Group's up to date performance and to our leading position in the food service industry in Romania, and that these will continue to support our business in the coming years: (1) highly successful organizational transformation, (2) a scalable platform allowing for efficient restaurant roll-out, (3) enhanced and efficient marketing capabilities, (4) operational excellence, (5) a highly profitable business model with strong margins, and (6) benefit from being part of the Yum! system.

Organizational transformation

Starting in 2012, a number of significant transformational events at the Group level took place, with a view to accelerate sales growth and improve internal processes and capabilities, as activities became increasingly more complex.

We strengthened our senior management by hiring professionals with extensive international experience in the food service sector in general, and in working with Yum! in particular, as well as others with finance, capital markets and marketing background.

Further key initiatives were also taken in the human resources area, by creating our HR Department, entrusted with the development of strategic initiatives around employee branding, as well as with the implementation of business best practices to drive performance through alignment of functional levels and salaries, objective setting, appraisals and bonus remuneration. At the same time, we have opened a dedicated training centre to support brands training and develop people in taking key positioning within our organisation.

Strategic business changes that have taken place include contracting a new marketing agency and a new PR agency, a new beverages supplier and outsourcing of the in-house warehouse and distribution system:

- B.V. McCann - Erickson S.R.L. – a leader in Advertising & Media in Romania, which provided a significant boost in campaign creativity and media efficiency for the Group;
- Coca-Cola Romania, providing competitive pricing and cross-marketing cooperation;
- Havi (Romania) – the supply chain service provider, providing state-of-the art and rapidly scalable logistics services at competitive prices;
- Golin Harris Romania – a top PR agency in Romania.

Other important steps tat boosted our growth included:

- Enlargement of the Quality Assurance team to ensure supply chain integrity and supplier quality adherence;
- Development of the corporate and social responsibility (CSR) strategy across 4 key pillars: people, community, environment and food;
- Set up of the PR and Digital teams to enhance consumer interaction and connection;
- Launch of transition to enterprise resource planning (ERP) to unify financial reporting across the Group (expected to be finalized during 2018).

Successful track record of growth

We have managed to deliver a significant increase in our sales and margins over the past three years that was fuelled by our successful track record of opening restaurants both in Bucharest and other larger Romanian cities. Since January 2012, we have increased our restaurant network by 40 units, or by 64%, to a total of 105 as of the date of the Prospectus. This strong network expansion has fuelled the growth of our restaurant revenues, which increased by a CAGR of 26% between 2014 and 2016.

Scalable platform allowing for restaurant roll-out

We have a strong development team with extensive experience in the development and roll-out of new restaurants, across the various brands and formats. We have a fully-fledged integrated process in place from market analysis, to site identification, and finally, to the construction and opening phase. This is a strong scalable platform that allows for effective restaurant network roll-out. Through market development analysis we assess the overall potential of a market in terms of number of restaurants that can be opened for the respective brand within a certain period. The optimal location of restaurants is based on detailed analysis, driven by our own proprietary research, and through the use of Yum!'s market mapping technology and expertise, that measures factors such as population density, existing traffic generators and traffic access and competition parameters, allowing us to determine the optimal trade areas within the cities of our operation, and point to locations for new restaurants to be opened.

Enhanced and efficient marketing capabilities

We spend, as per our contractual obligation with Yum!, at least 5% of our annual restaurant revenues on marketing and advertising activities. The significant increase of sales over the past five years has enabled us to boost promotion of brands and products offered in our restaurants among the Romanian consumers, with efficient year-round advertising campaigns on TV and significant online presence. This has contributed to a continuous improvement in brand awareness for both KFC and Pizza Hut brands and a better understanding of our customers through regular consumer surveys. We have invested directly into marketing campaigns with notable success and recognition, receiving numerous awards, locally and internationally. Those campaigns have often been locally produced, with a targeted marketing message that is relevant to our customer base, and as a result have allowed our brands to develop strong brand recognition and affection. Our marketing efforts have enhanced our ability to anticipate, satisfy and drive local consumer demand/innovation based on consumer insights and market experience. For more details on our Marketing activities, see "*Marketing and Advertising*".

Operational excellence

We have been a permanent top ranker in Yum!'s internal operational metrics. In 2016 we received the 1st place in the CEE Guest Experience Survey, becoming the leader out of 17 KFC markets within the Yum! network in the specific region. In 2014 and 2013 we also received 1st place for KFC out of all operations within Yum!'s European Franchise Business Units for operational excellence, delivering best-in-class performance on numerous key performance indicators (KPIs).

We have developed a strong operational structure at brand level, supported by centralised and on-site training in order to drive restaurant performance and support network and sales growth.

Highly profitable business model with strong operational margins

We have maintained high operational margins (measured by EBITDA) throughout the past three years on the back of robust growth in sales and improvement in some of the key cost elements (such as cost of sales, rent and store semi-variable expenses). Although we finance the vast majority of our capital expenditure with bank loans, our high margins have enabled us to keep a very low overall indebtedness level (as measured by indicators such as interest-bearing debt/EBITDA or Interest Coverage ratio), while maintaining a high dividend pay-out ratio. For detailed information on our financial performance, please consult section "*Operating and financial review* ".

Benefits from being part of the Yum! system

Based in Louisville, Kentucky, United Stated of America, Yum! Brands, Inc. ("**Yum!**") is one of the world's largest fast food restaurant companies in terms of system units, with 43,617 restaurants (of which 40,758 are franchised) around the world in over 135 countries and territories as of the end of year 2016. With total system sales of USD 44,888 million in 2016, Yum! is the second largest restaurant chain in the world.

As part of the Yum!'s network, the Group takes advantage of a number of benefits that spread across multiple levels within the Group:

Corporate level

- Brand awareness generated by scale and size of brands operating over 43,000 restaurants in more than 130 countries that helps drive brand awareness to levels that are expensive and difficult to achieve without the scale and heritage of the brands;
- Substantial knowledge pool and expertise to tap into and numerous best practice examples to learn from and adapt for our own business;
- Global conventions and functional meetings and workshops to provide best practice learnings, product development, brand positioning, functional expertise as well as outstanding networking that provide significant opportunities to enhance and improve our own business;
- Access to processes and procedures via brand manuals to coach and support teams across all functions.

Marketing

- Developing marketing campaigns based on best practices from other markets;
- Access to food photography and commercials from other regions that can be utilized in local communication;
- Sharing of product recipes that are ready for customer research and potential launch;
- Brand Image Tracker methodology to better understand strengths and weaknesses;
- Development of Style guide and global brand book;
- Support in developing marketing calendars and products for different day parts/week parts, value and innovation.

Operations & Development

- Access to centers of excellence via the Franchise Business Units that have been established to support franchisee performance;
- Access to new equipment and technology that enhances our ability to drive efficiency and effectiveness of performance;
- Operational programs that continually enable us to execute new ideas to enhance operational performance;
- New design elements that enable restaurant upgrades or new builds to keep the brands relevant;
- Insights and access to capability in new formats to improve business through technology and digital best practice.

Purchasing

- Access to pricing leverage on key product categories through centrally negotiated prices on core products and services;
- Product and supplier audits to help ensure product integrity and food safety.

Support & Training

- Motivational support of the business through Yum! company culture cascaded throughout the business through recognition and coaching and training programs to help grow not only the business but the teams working with the business, through initiatives like "Leading with Heart".

The Company's phases of historical development

We have developed our business through three distinctive phases of development and operational evolution, which we could broadly identify as, the Early-steps phase, the Development acceleration phase, and the Transformation phase.

The first one, the Early-steps phase, lasted for almost ten years from early introduction of our brands in the market, with the first Pizza Hut unit opening in 1994 and the first KFC opening in 1997, until almost 2004. The Romanian food service market in the 1990s was a heavily unpenetrated market, with only a small number of recognizable restaurant brands, let alone international ones like the ones we introduced. Pizza Hut and KFC swiftly became one of the most recognised and loved restaurant concepts in the market, a success that allowed us to consolidate our position, and build our internal operational, marketing and development capabilities to an adequate level that would be required for a more rapid restaurant roll-out.

In the second phase, noted as the Development acceleration phase, the market presented to us the growth opportunity that we had prepared and planned for Romania, since 2004, saw a rapid development of mall and commercial centres, both in Bucharest and elsewhere. Our brands had already established a strong customer base, we commanded a high market share in the food service market, and we secured the necessary finance to allow us to grow. Our brands became anchor tenants in the food court areas of those malls and commercial centres, and we rolled-out an increased number of restaurants, mainly restaurants of the Food-Court format. In this phase, we did our first KFC restaurant outside Bucharest, our first KFC restaurant outside Romania (Republic of Moldova), our first KFC Drive-Thru restaurant, as well launched Pizza Hut Delivery in the market. The restaurant network jumped from 11 restaurants in 2004, to 59 restaurants in 2010, having regional and geographical diversification as well format and brand diversification.

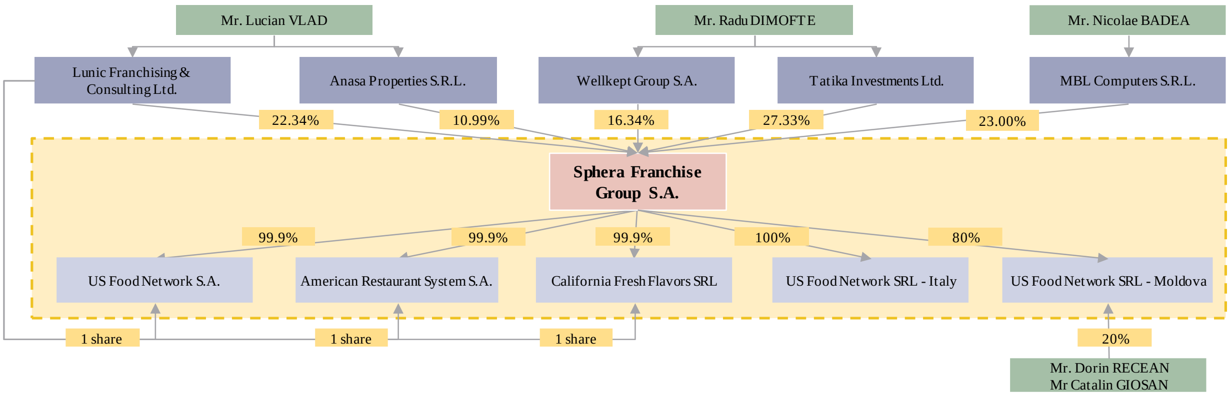
In 2010, the Romanian economy showed signs that the rapidly unfolding world economic crisis was making an impact. This was a turning point for our evolution, marking the third phase of our historical development, namely the Transformation phase. As competing brands halted their restaurant development plans, we took the strategic decision to strengthen our senior management by hiring senior professionals with extensive international experience, amplify our internal processes, controls and IT platforms, align with key service and supply partners, outsource our supply and logistics function, and most notably, continue to grow our network by adding new restaurant across all of our brands. We have also taken up new international opportunities such as KFC in Italy, as well as new brands in our local market, such as Taco Bell. In this phase, the restaurant network jumped from 59 restaurants at the end of 2010 to 104 restaurants as at 30 September 2017.

The significant events in our history are:

1994	First Pizza Hut Dine-In restaurant in Romania
1997	First KFC restaurant in Romania
1999	First Pizza Hut Dine-In restaurant outside Bucharest
2005	First KFC restaurant outside Bucharest
2007	First Pizza Hut Delivery restaurant in Romania 25th restaurant of the Group
2008	First KFC restaurant in Republic of Moldova
2009	50th restaurant of the Group
2009	First KFC Drive-Thru restaurant in Romania
2011	First Pizza Hut Delivery restaurant outside Bucharest
2013	75th restaurant of the Group
2017	First KFC restaurant in Italy Incorporation of the Company and corporate restructuring of the Group 100th restaurant of the Group Opening of the First Taco Bell restaurant

Corporate structure

The following chart describes the corporate structure of the Company, presenting its direct shareholders, ultimate beneficial owners, as well as all subsidiaries controlled by Sphera at the date of this Prospectus.



The Company holds 99.99% of the share capital and voting rights in the Romanian companies that operate the restaurants under the Yum! brand, as follows:

- USFN (Romania) holds the franchise rights to operate KFC branded restaurants in Romania;
- ARS (Romania) holds the franchise rights to operate Pizza Hut branded restaurants (Pizza Hut Dine-in and Pizza Hut Delivery) in Romania; ARS (Romania) holds also sub-franchise rights;
- California Fresh Flavors (Romania) holds the franchise rights to operate Taco Bell branded restaurants in Romania.

The Company is also the sole shareholder of USFN (Italy) operating KFC restaurants in certain regions in Italy and holds 80% of the share capital and voting rights in USFN (Moldova) operating KFC restaurants in the Republic of Moldova.

Strategy

We believe we have significant growth potential in the following years, both in the performance of our existing restaurants and also through the continued organic network roll-out of new restaurants, as a result of the strong awareness of our brands, a clear differentiation of our products against our competition, a strong drive to keep up with evolving key consumer trends though product innovation in the markets and segments that we operate, our continuous commitment of offering a dining experience that fits our customers' expectations, a clearly identified new site roll-out pipeline and our track record on delivering strong results from operation. We also believe that we have significant value accretive opportunities across diversified markets of operation, such as through the development of a sizeable KFC business in Italy, as well as our secured commitment to expand our brand portfolio through the roll-out of Taco Bell restaurants in Romania. In our strategic growth areas, we believe we have a strong management and operational capacity, adequate financial resources, structures and processes in place, and have identified strong partners for our various operational models. In areas where we believe we still have room for improvement we have implemented, or are in the process of implementing, remedial actions and enhancements, such as the upgrade of our information technology systems.

We have defined a number of strategic goals to drive our growth and profitability in the coming years, namely: a) organic network roll-out of existing brands, b) maintain strong like-for-like sales growth in our restaurants across our brand portfolio, c) international expansion through the development of a significant KFC business in Italy, and d) expansion of our brand portfolio across new but proven internationally restaurant concepts, such as Taco Bell in the Romanian market. The underlining commitment to the aforementioned strategic goals is centred on the following key pillars of our operation: a) customer satisfaction, b) focus on operational excellence, c) product quality and execution, d) employee satisfaction and empowerment, e) ethical trade relations with our partners, and f) a positive contribution to the wider communities and markets in which we operate.

Organic network roll-out expansion of existing brands in Romania

Our principal objective in the following years is to continue the organic expansion of our restaurant network in the markets and geographies in which we operate, in line with our commitments towards Yum!, taking into consideration the general changes in the macroeconomic and consumer environments as well as the changes in the perceived market potential of these markets and economies. In Romania, our network growth strategy will focus on the following main directions:

- **KFC**

  We will continue to develop the KFC network in Romania, with a dedicated focus on the currently underpenetrated cities, as well as cities below 100,000 inhabitants. We will favour the opening of drive-thru locations, which have a higher sales potential given their larger format, the ability to locate them in high-traffic areas, as well as the growing attractiveness of the ordering format. We believe that the Romanian market currently has an estimated potential capacity of circa 110 restaurants, and we aim to drive the roll-out of our network, across the different formats, in order to capitalize on this opportunity for expansion. By the end of year 2022, we plan to open a number of 51 KFC restaurants in Romania, which compares with 43 as committed in our development agreement with Yum!.

	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**Total 2017-2022**
Development agreement with Yum	4	6	7	8	9	9	**43**
Company's development plan	7	7	7	10	10	10	**51**

- **Pizza Hut**

  Dine In. We expect that the continuous improvement in the population's purchasing power, developing consumer tastes and propensity to dine out and migration to the urban areas to allow us to open profitable restaurants in cities below 150,000 inhabitants. We will focus mainly on restaurants with their own dedicated seating near the mall food courts within shopping malls or large commercial centers, as these locations can attract significant traffic. We believe that the Romanian market has an estimated potential capacity of circa 30 restaurants, and we aim to drive the roll-out of our network, in order to capitalize on this opportunity for expansion.

  Delivery. Although Bucharest still offers a number of new restaurant location opportunities, we will mainly focus on opening restaurants in other large Romanian cities (initially, with a population above 200,000 inhabitants), where we will seek well-placed locations able to generate both delivery and takeaway sales. We have secured the Master Sub-Franchise rights for Romania from Yum!, which allows us to open sub-franchised restaurants. We will continue to open our own restaurants based on the prevailing favourable market conditions, as well as accelerate our network roll-out development with focus on smaller cities through both own and sub-franchised locations. We believe that the Romanian market has an estimated potential capacity of circa 40 restaurants, and we aim to drive the roll-out of our network, in order to capitalize on this opportunity for expansion.

  By the end of year 2022, we plan to open a number of 44 Pizza Hut restaurants in Romania, while we have committed to Yum! to develop a minimum of 34 new Pizza Hut restaurants.

	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**Total 2017-2021**
Development agreement with Yum	5	5	7	8	9	-	**34**
Company development plan, of which:	6	7	7	8	8	8	**44**
Pizza Hut Dine-In	1	2	2	2	2	2	**11**
Pizza Hut Delivery	5	5	5	6	6	6	**33**

Maintain strong like-for-like sales growth in our restaurants across our brand portfolio

We expect the like-for-like performance of our restaurants to continue to grow through a combination of higher transactions and average ticket growth, in line with the continuous improvements in the overall macroeconomic environment in general and consumer purchasing power in particular. We believe the main growth drivers will continue to be the increase in the population's disposable income and the low rate of unemployment that will help increase the frequency of eating out among many consumer age brackets of the Romanian population.

At the same time, we are actively looking to generate incremental sales by improving offers for various day parts (such as breakfast) or create new visit occasions (such as the KFC Coffee Corner) and new usage occasions such as delivery using either our own drivers or through aggregators.

We will also continue to increase the use of technology in our operations, through online and mobile apps or improving the ordering process through the use of ordering kiosks in the KFC restaurants).

International expansion through the development of KFC in Italy

We will accelerate our roll-out of restaurants in the Italian market within the regions where we have secured developments rights from Yum!. We believe that the market for fast-casual restaurants represents a key positive strength within the Italian quick-service restaurant sector which is significantly underpenetrated, and we believe that KFC can be gaining market share from full service restaurants. Local consumers are changing their food consumption behaviour patterns, and we have identified shifting habits that play to our competitive advantage leading to viable market opportunities for KFC and quick-service restaurant players. American branded chains have strongly penetrated the Italian market, with McDonalds operating over 550 restaurants nationwide, and Burger King operating over 140 restaurants nationwide. As Italy posts the 3rd largest economy in the Eurozone and the world's 8th largest one, with consistent high rankings in terms of tourist incomings, we believe that our strategy to continue to penetrate the northern and more economically developed areas of the country, which are within our development scope of commitment, will be significantly value accretive for our Company. Our strategy for Italy centres around efforts to, a) identify and develop the restaurant locations that we have already secured within our areas of operation by the end of 2022, b) develop a sizeable KFC network in North East Italy and Piedmont, c) secure further geographic development opportunities in the North of the country as they come available, d) build a diversified portfolio of restaurants, including initially Food Court restaurants, but further on also drive-thru restaurants as the opportunities may arise, e) hire and retain a dedicated management team that will drive the business and the network expansion in the country.

Our committed development agreement with Yum! for Italy calls for a total of 32 net new KFC restaurants, within the areas of our operation within the next six years.

	2017	2018	2019	2020	2021	2022	Total 2017-2021
Development agreement with Yum	3	6	8	7	7	1	**32**
Company development plan	3	6	8	8	7	2	**34**

Our development agreement with Yum! for the North-East region runs from 2017 until 2021, while development agreement for the Piedmont region runs from 2018 to 2022. We have committed to roll-out 22 restaurants in North East Italy, and 10 restaurants in the area of Piedmont, within our agreed development periods, as shown in the table above. Currently, we have 2 restaurants in operation in North East Italy and we plan to have 3 restaurants within this region by 31 March 2018 (for the TriVeneto trade zone area, the development agreement allows for an extended term to complete the development for 2017). Subject to availability of other regions in Italy, we may decide to secure further development rights so that we gain enough critical mass and start achieving economies of scale that are critical to developing a profitable business in Italy.

Expansion of our brand portfolio

Our immediate strategic focus is to successfully operate the first Taco Bell restaurant in Romania opened on 12 October 2017. We believe that Taco Bell has strong market potential within the quick-service restaurant market in Romania and that it is a brand that can have network scalability, as the restaurant profile and format as well as the targeted customer profile is similar to KFC. The brand, which is one of the most profitable quick-service restaurant brands in the American market, focuses on young consumers, and we believe, following market research that we have conducted, that Romanian consumers are open to greater variety in the foodservice offering that is currently available in the market, and that are willing to try Mexican food. Our quantitative and qualitative studies indicated a high acceptance of the tested products, a favourable brand image that is associated with innovation and a perceived modern look of the restaurants that are expected to generate a positive dining experience. Our initial development agreement with Yum! calls for the opening of 10 units within the 2017-2019 period (with the first 2 restaurants to be opened in the last quarter of the year 2017, of which the first restaurant was opened on 12 October 2017), and subsequent roll-out being subject to the overall consumer acceptance and restaurant profitability of this initial development stage.

	2017	2018	2019	2020	2021	Total 2017-2021
Development agreement with Yum	2	3	5			**10**
Company development plan	2	3	5	2	2	**14**

We plan to position Taco Bell as a contemporary and dynamic brand, and see further expand the network of restaurants after the initial 3-year roll-out, steadily across the country. Our initial development focus is in

Bucharest and the more affluent cities with a population over 200,000, i.e. Constanta, Cluj, Timisoara. All initial restaurants will be located in malls, while other restaurant formats, such as in-line and drive-thru, will be considered as the opportunity may arise and depending on the performance of the brand and the dynamic of its customer base.

At the same time, we believe the Romanian market still offers ample opportunities for new concepts with scalability potential, which would be in direct competition with the segments that we are currently active in.

Potential for further international expansion

While our current strategic focus is on the development of the business in its current markets, we may consider acquiring other brands and expanding to territories currently unpenetrated by the Yum!'s system. Such international expansion is a discretionary strategy of the Group and we will consider and pursue it on an opportunistic basis. Our criteria for entry into new markets would be based on the size, growth parameters, average age and disposable income of the population, the level of fast-food and pizza market penetration, and the market capacity for roll-out.

Leverage scale advantage to further improve profitability

We believe that our continuous network expansion both within and across brands will continue to provide significant scale advantages that will contribute to a steady improvement of our operating leverage. We expect these scale advantages to manifest primarily on the following main fields:

- Procurement: we expect our acquisition power to increase gradually over the next years, which will help us achieve better raw material prices (either lower acquisition prices, or acquisition prices that will grow slower than our selling prices);
- Marketing: as we keep our marketing budget as a fixed percentage of sales, we expect that a growing marketing budget will enable us to improve or consolidate the awareness of our brands, through year-round promotions on the most relevant media platforms (traditional and digital);
- Operational expenses: we expect higher restaurant sales to increase their operating efficiency, especially through a relative reduction of the utilities and other costs which are not directly linked to sales;
- General & Administrative: although we will continue to increase our head office staff and third-party services to manage the increased complexities of a much larger business (especially related to IT systems, restaurant network management and public listing requirements), we expect such overall costs to increase slower than the increase in our revenues.

Commitment to customer satisfaction

We are committed to providing our customers with a memorable dining experience through freshly-prepared, top quality products, served promptly and friendly by our staff in an inviting, differentiated restaurant atmosphere. To this end, we will permanently strive to:

- maintain a consistently high quality of our products, by cooking them from fresh, top quality ingredients directly in the restaurants and supported by a high level of operational excellence;
- offer a high level of service quality through adequate staffing of our restaurants;
- maintain a modern look of our restaurants through regular upgrading to the design and use of high-quality finishes;
- use customer surveys to provide senior management with regular feedback from customers on the quality of its products and services.

Business Operations

The Company operates, through its subsidiaries, KFC restaurants in Romania, Republic of Moldova and Italy, and Pizza Hut Dine-In and Pizza Hut Delivery restaurants in Romania. The food offered in our restaurants includes proprietary menu items (the recipes of which are generally sourced from the Yum! restaurants across the world or developed in-house) and are prepared from fresh ingredients.

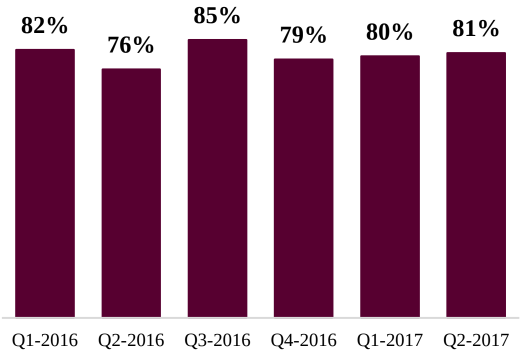
KFC

KFC was founded in Corbin, Kentucky, by Colonel Harland D. Sanders, an early developer of the quick service food business and a pioneer of the restaurant franchise concept. The Colonel perfected his secret blend of 11 herbs and spices for Kentucky Fried Chicken in 1939 and signed up his first franchisee in 1952. Today, KFC is the world's largest quick service chicken restaurant chain in terms of number of restaurants and operates approximately 20,000 outlets in 123 countries and territories throughout the world under the name "Kentucky Fried Chicken" and/or "KFC". The Colonel ranks as one of the world's best-known commercial trademarks.

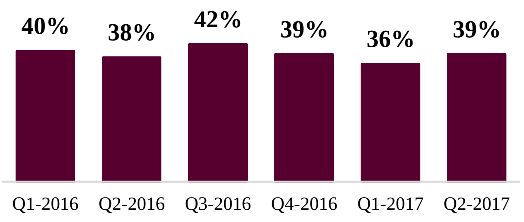
KFC is the leading chicken restaurant chain in Romania in terms of both total sales and number of restaurants. The first KFC restaurant in Romania opened in 1997 in Bucharest and, at the end of 2016, there were 63 KFC restaurants in Romania. In 2008, we opened the first KFC restaurant in the Republic of Moldova, where we currently operate two restaurants (both in Chisinau), while in 2017 we opened our first two restaurants in Italy (one in Verona and the other one in Mestre, located in the metropolitan city of Venice).

The charts below show trends in KFC's spontaneous and top-of-mind brand awareness figures in Romania as determined by Brand Image Tracker, an independent research undertaken by Kantar Millward Brown, for the periods shown. Spontaneous brand awareness tracks the percentage of respondents naming KFC when asked to name quick service restaurants. Top-of-mind brand awareness tracks the percentage of respondents choosing KFC as the first brand coming to mind when asked to name quick service restaurants.

Spontaneous awareness



Top of mind awareness

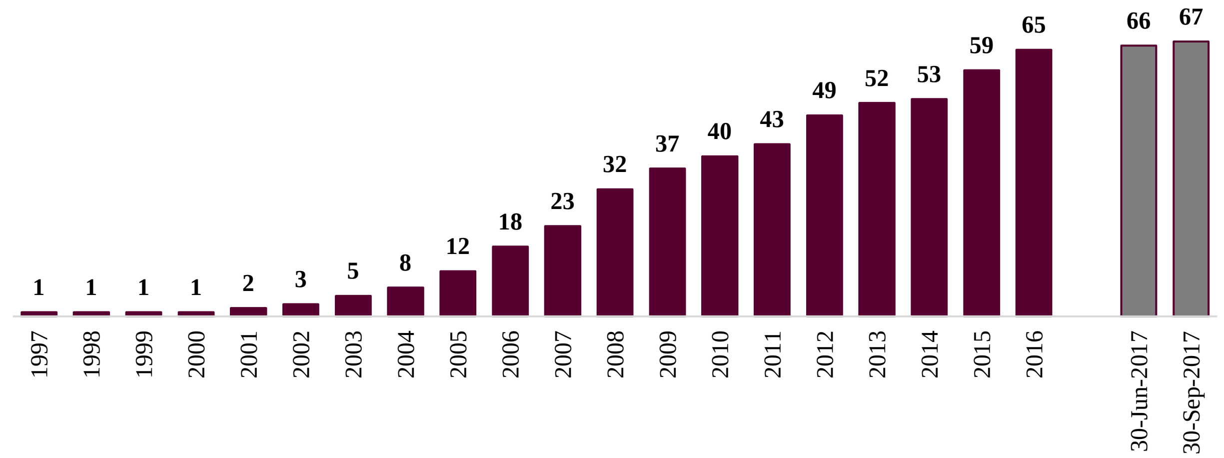


Source: Kantar Millward Brown, "Brand *Image Tracker*" *report, Q2-2017.*

Both spontaneous and top of mind brand awareness for KFC have remained at high level since the beginning of 2016. The spontaneous brand awareness reached 81% in Q2-2017, similar to the average of 81% for the full year 2016, being very close to that of McDonald's (85% in Q2-2017, 84% for full-year 2016). At the same time, the top of mind brand awareness stood at 39% in Q2-2017, compared with an average of 40% for the full-year 2016, ranking better than McDonald's (30% in Q2-2017, 30% for full-year 2016). For comparison purposes, for other brands active in the quick-service restaurant sector, top of mind awareness is less than 5%, while spontaneous awareness is below 30%.

The following table depicts the evolution of our KFC restaurants (including our restaurants in Italy and in the Republic of Moldova) since 1997 to 30 September 2017.

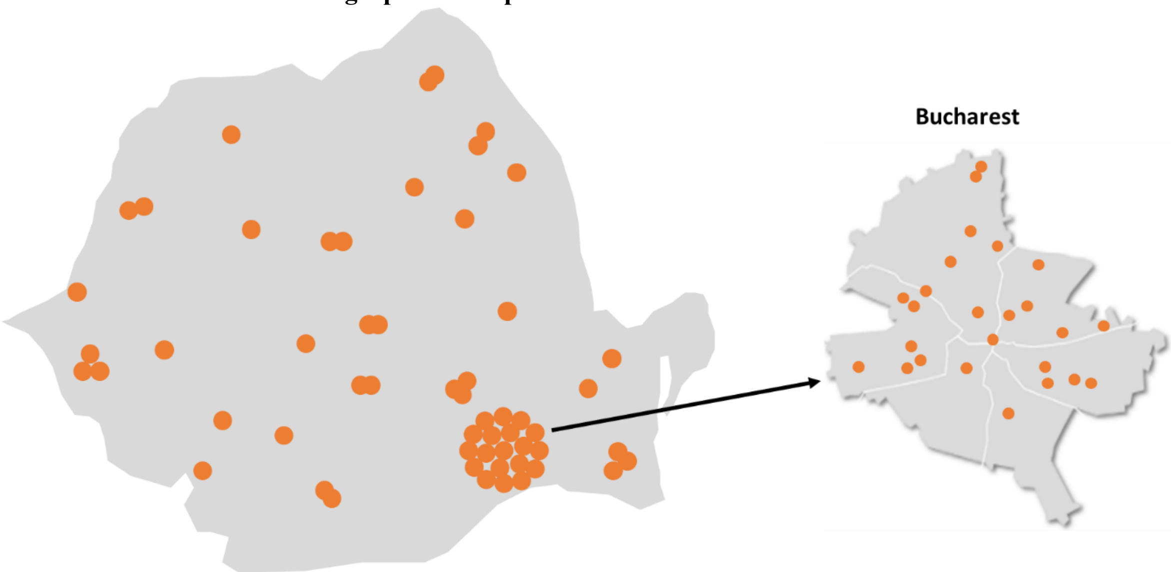
KFC network evolution



Source: Management data

We are present in all Romanian cities with a population of over 100,000 inhabitants: as of 30 September 2017, the largest presence is in Bucharest, with 26 restaurants, followed by Cluj-Napoca, Timisoara, Constanta and Ploiesti, each with 3 restaurants.

Geographical footprint of KFC restaurants in Romania



Source: Management data

City (Romania)	Population[a]	Number of restaurants	Penetration[b]
Bucharest	2,106,144	26	81,006
Iasi	362,142	2	181,071
Cluj-Napoca	321,687	3	107,229
Timisoara	332,983	3	110,994
Constanta	317,832	3	105,944
Craiova	305,689	2	152,845
Galati	304,340	1	304,340
Brasov	290,743	2	145,372
Ploiesti	233,663	3	77,888
Braila	210,602	1	210,602
Oradea	222,736	1	222,736
Bacau	196,883	1	196,883
Arad	179,045	1	179,045
Pitesti	176,747	2	88,374
Sibiu	169,786	1	169,786
Targu Mures	150,191	2	75,096

City (Romania)	Population(a)	Number of restaurants	Penetration(b)
Baia Mare	147,801	1	147,801
Buzau	135,601	1	135,601
Ramnicu Valcea	118,775	1	118,775
Suceava	116,404	2	58,202
Piatra Neamt	115,273	1	115,273
Drobeta-Turnu Severin	109,647	1	109,647
Targu Jiu	96,852	1	96,852
Deva	70,407	1	70,407
Total Romania	**22,241,718**	**63**	

Source: Management data on 30 September 2017

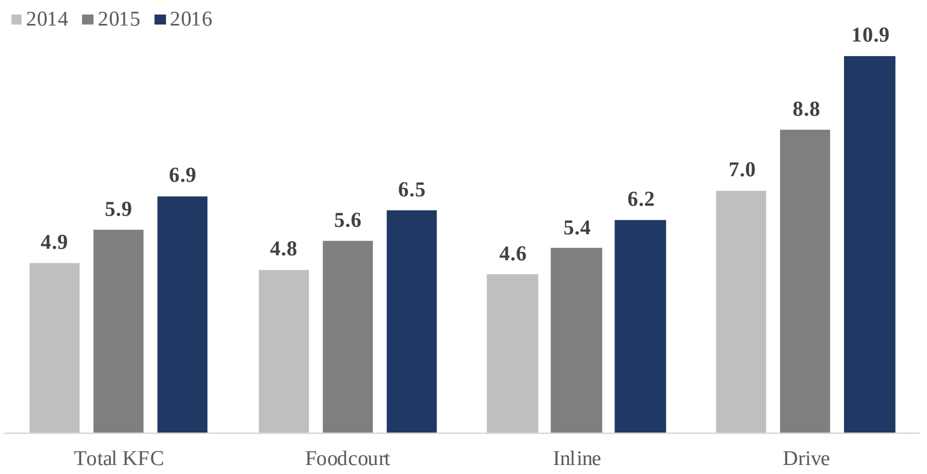
(a) Population as of 1 January 2016, according to the National Statistics Institute of Romania;

(b)Penetration calculated as population divided by number of restaurants

Of the 63 KFC restaurants operating in Romania as at 30 September 2017, 42 are food court locations (in malls or commercial centres), 13 are inline (street locations), while another 8 are Drive-Thru locations. In the Republic of Moldova, we operate one food court restaurant and one inline restaurant, while both restaurants in Italy are food court locations. All our inline and Drive-Thru locations offer seating area.

The following chart depicts the evolution of the average sales per restaurant by total KFC brand in Romania, as well as by each restaurant format (food court, inline and drive-thru) during the 2014-2016 period.

Average sales per restaurant (RON million) during 2014-2016



Source: Management data

During the 2014-2016 period, the average sales per restaurant increased by a CAGR of 18% across the entire brand, from RON 4.9 million in 2014 to RON 6.9 million in 2016. This performance was mainly driven by the strong increase in average sales of the Drive-Thru restaurants, which increased by a CAGR of 25%, from RON 7.0 million in 2014 to RON 10.9 million in 2016. The other two formats also performed well, with the average sales of food court units increasing by a CAGR of 17%, from RON 4.8 million in 2014 to RON 6.5 million in 2016 and the average sales of inline units increasing by a CAGR of 16%, from RON 4.6 million in 2014 to RON 6.2 million in 2016.

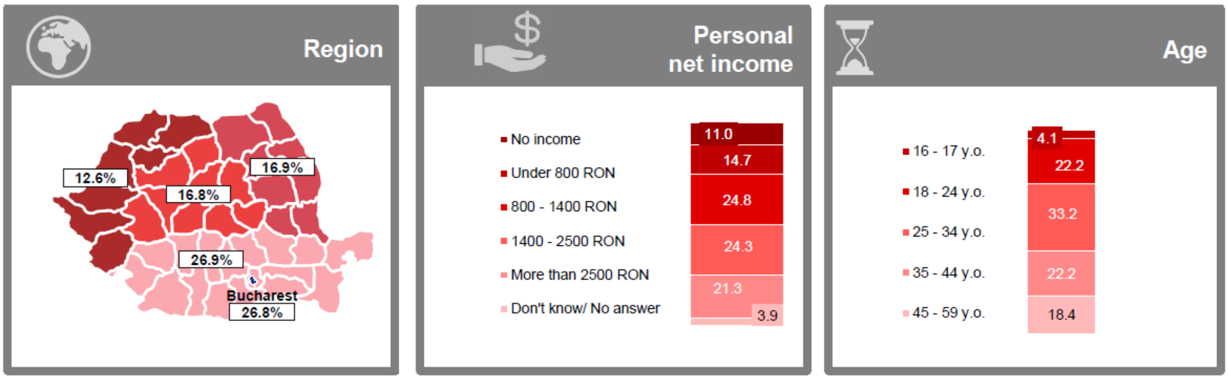
The following table presents the typical data on our KFC restaurants by format, including size range, average number of employees and target payback period.

Typical restaurant data		**KFC Romania**	
Restaurant format	**Food court**	**Inline**	**Drive**
Unit size range (sqm)	80-120	250-500	400-500
Average no. of employees (all shifts)	40	45	60
Average capital expenditure (EUR, current cost)	350,000	650,000	900,000
Restaurant operating margin* (%, for year 2016)	21.5%	21.5%	21.5%

*Source: Management data; * Restaurant operating margin is calculated across the entire brand, taking into account all restaurants with full-year sales in 2016.*

KFC's principal target customers in Romania are between 16 and 34 years old, but there is also a significant demand from the 40-59 age group. According to the data from the National Statistics Institute of Romania, the 15-34 age group comprised 26.1% and the 35-59 age group comprised 37.2% of the population in Romania as at 1 January 2016, respectively. Based on the Brand Image Tracker research report for the second quarter of 2017 undertaken by Kantar Millward Brown, which interviewed customers of quick-service restaurants aged between 16-59 years, 33% of total customers are in the 25-34 age group, 22% are in the 18-24 age group and another 22% are in the 35-44 age group.

The following charts depict the demographic data of the quick-service restaurant customers in cities where KFC restaurants are opened, based on the Brand Image Tracker research report for the second quarter of 2017 undertaken by Kantar Millward Brown.



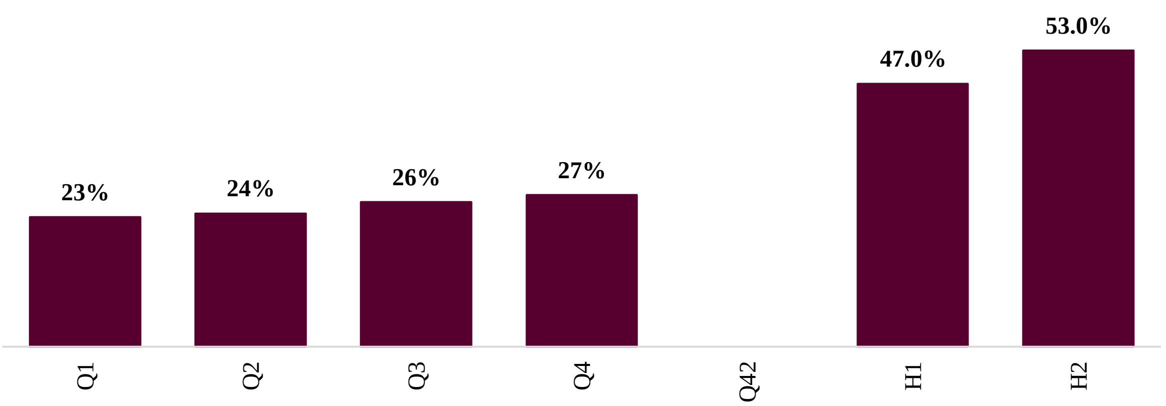
Source: Kantar Millward Brown, "Brand *Image Tracker*" *report, Q2-2017*

In our KFC restaurants, we sell food and beverages products either individually or part of a price-attractive bundle labelled "menu". Generally, the menus include three main components: a portion of a chicken-based product (sandwiches, wrappers or pieces of chicken meat), a medium-sized portion of French fries and a medium-sized non-alcoholic drink. For an additional price, our customers can choose to opt for the "Go Large" version of the menu, which consists of large-sized portions of French fries and non-alcoholic drink. A dipping sauce is also offered in some menu offers. Whereas menus are normally sized for one person, we also offer products, called Buckets, that are targeted for group consumption (normally, up to four persons). Buckets generally consist of higher number of chicken meat pieces and some include portions of French fries and non-alcoholic drinks.

The product portfolio of the KFC restaurants is well diversified and we continuously strive to offer customers a very innovative product offering.

The following table depicts the sales seasonality of KFC sales in Romania, computed for all restaurants in operation before 1 January 2016.

KFC sales seasonality in 2016 - quarterly and half-yearly



Source: Management data

The overall seasonality of our KFC restaurants is relatively stable and is not significant across each calendar year: based on the 2016 data, the first half of the year accounted for 47% of total sales, while the second half accounted for the remaining 53%. By quarters, the lowest sales were recorded in the first quarter of the year (23%), while the highest were recorded in the last quarter (27%).

In Italy, we have secured two regions where we can develop KFC restaurants, namely Trivenetto and Piedmont. Our first two restaurants were opened in the Trivenetto region, in Verona (Adigeo mall) and Mestre (Valecenter mall, in the metropolitan area of Venice). In the following period, we plan to open further food court restaurants, which we expect to be of similar size (80-120 square meters) and to require same level of staff (approximately 40 employees) as our units in Romania, with average investment being expected to stand at around EUR 800,000.

Geographical footprint of KFC restaurants in Italy

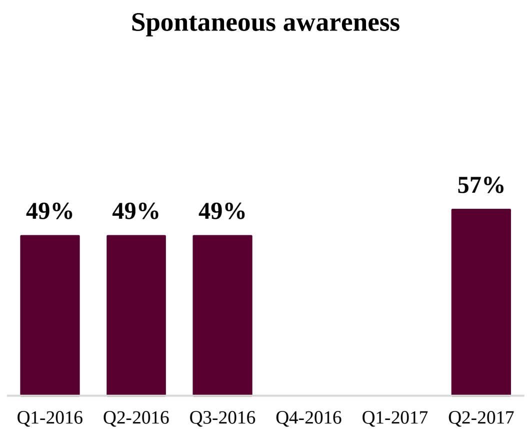
Source: Management data

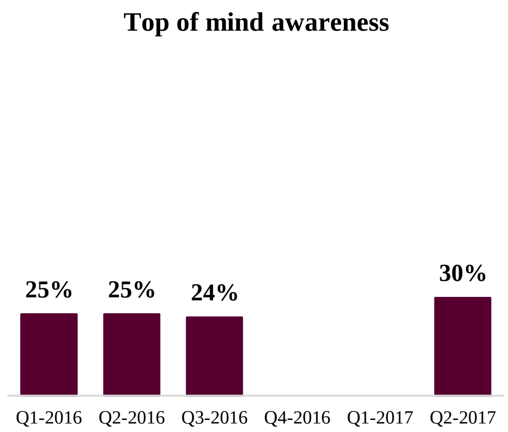
Pizza Hut

Pizza Hut is an American restaurant chain and international franchise founded in 1958 by Dan and Frank Carney. The company is known for its Italian-American cuisine menu including pizza and pasta, as well as side dishes and desserts. Today, Pizza Hut operates approximately 12,000 restaurants in 85 countries and territories worldwide under the name "Pizza Hut" and is the largest restaurant chain in the world by number of restaurants specialising in ready-to-eat pizza products.

Pizza Hut is the largest casual dine-in restaurant chain in Romania in terms of both total sales and number of restaurants. The first Pizza Hut Dine-In restaurant opened in 1994 in Bucharest and, at the end of 2016, there were 21 Pizza Hut Dine-In restaurants across the major cities of Romania. In 2008, we opened the first delivery restaurant, and by the end of the year 2016, our Pizza Hut Delivery network totalled 12 restaurants.

The charts below show trends in Pizza Hut's spontaneous and top-of-mind brand awareness figures in Romania as determined by Brand Image Tracker, an independent research undertaken by Kantar Millward Brown for the periods shown. Spontaneous brand awareness tracks the percentage of respondents naming Pizza Hut when asked to name casual dine-in service restaurants. Top-of-mind brand awareness tracks the percentage of respondents choosing Pizza Hut as the first brand coming to mind when asked to name quick service restaurants.



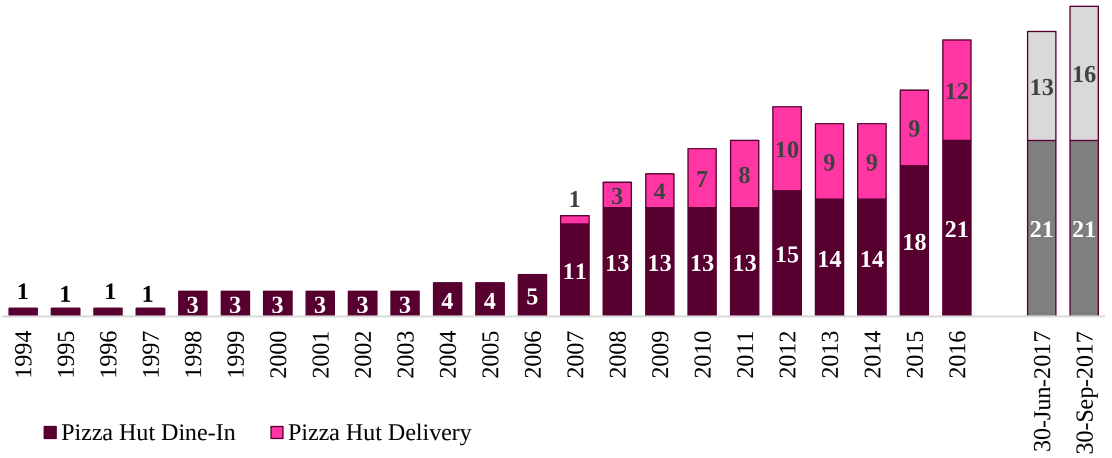


Source: Kantar Millward Brown, "Brand Image Tracker" report, Q2-2017.

Both spontaneous and top of mind brand awareness for Pizza Hut are the highest among the casual dine-in restaurant chains. The spontaneous brand awareness has been constant at 49% in the first three quarters of 2016, while top of mind brand awareness was around 24-25% during the same period.

The following table depicts the evolution of our Pizza Hut restaurants in Romania since 1997.

Pizza Hut network evolution



Source: Management data

We are present in most of the Romanian cities with a population of over 200,000 inhabitants: as of 30 September 2017, the largest presence is in Bucharest, with 11 restaurants, followed by Cluj-Napoca with 3 restaurants and Timisoara, Brasov, Ploiesti, each with 2 restaurants.

Geographical footprint of Pizza Hut restaurants in Romania

Source: Management data.

City	Population[(a)]	Number of restaurants		Penetration[(b)]	
		Pizza Hut Dine-In	Pizza Hut Delivery	Pizza Hut Dine-In	Pizza Hut Delivery
Bucharest	2,106,144	11	13	191,468	162,011
Iasi	362,142	1		362,142	
Cluj-Napoca	321,687	2	1	160,844	321,687
Timisoara	332,983	2		166,492	
Constanta	317,832	1		317,832	
Brasov	290,743	1	1	290,743	290,743
Ploiesti	233,663	1	1	233,663	233,663
Oradea	222,736	1		222,736	
Bacau	196,883	1		196,883	
Total Romania	**22,241,718**	**21**	**16**		

Source: Management data as at 30 September 2017

[(a)]) Population as of 1 January 2016, according to the National Statistics Institute of Romania;

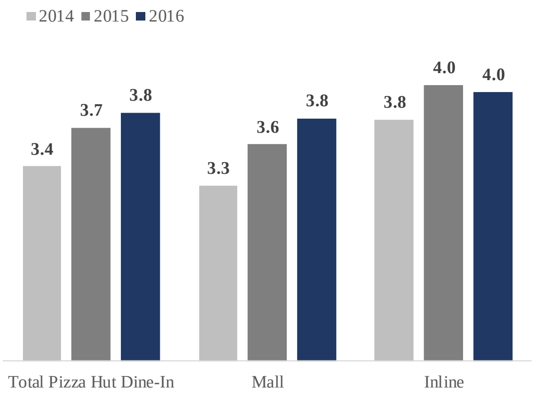
[(b)]Penetration calculated as population divided by number of restaurants

Of the 21 Pizza Hut Dine-In restaurants operating in Romania as at 30 September 2017, 18 are located near food courts with our dedicated seating (in malls or commercial centres) and 3 are inline (street locations). At the same time, 4 out of the 16 Pizza Hut Delivery restaurants were food court locations, while the remaining 12 were inline locations.

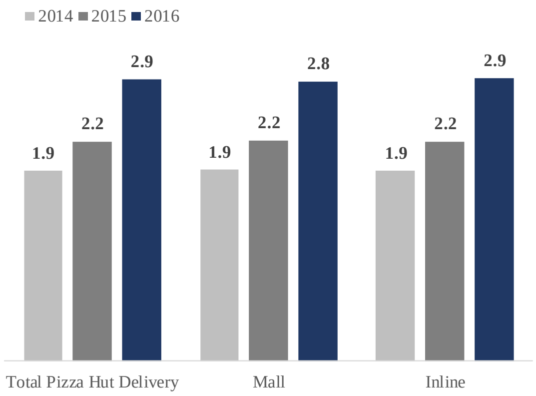
The following chart depicts the evolution of the average sales per restaurant by total Pizza Hut Dine-In and Pizza Hut Delivery in Romania, as well as by each restaurant format (foodcourt and inline) during the 2014-2016 period.

Average sales per restaurant (RON million) during 2014-2016

Pizza Hut Dine-In



Pizza Hut Delivery



Source: Management data

During the 2014-2016 period, the average sales per restaurant increased by a CAGR of 6% across the entire Pizza Hut Dine-In channel, from RON 3.4 million in 2014 to RON 3.8 million in 2016. This performance was mainly driven by the better performance in the average sales of the food court restaurants, which increased by a CAGR of 7%, from RON 3.3 million in 2014 to RON 3.8 million in 2016, while the average sales of inline units increased by a CAGR of 3%, from RON 3.8 million in 2014 to RON 4.0 million in 2016.

During the 2014-2016 period, the average sales per restaurant increased by a CAGR of 22% across the entire Pizza Hut Delivery channel, from RON 1.9 million in 2014 to RON 2.9 million in 2016. This performance was almost equally driven by both formats, with the average sales of the inline restaurants increasing by a CAGR of 22%, from RON 1.9 million in 2014 to RON 2.8 million in 2016 and the average sales of food court units increasing by a CAGR of 21%, from RON 1.9 million in 2014 to RON 2.9 million in 2016.

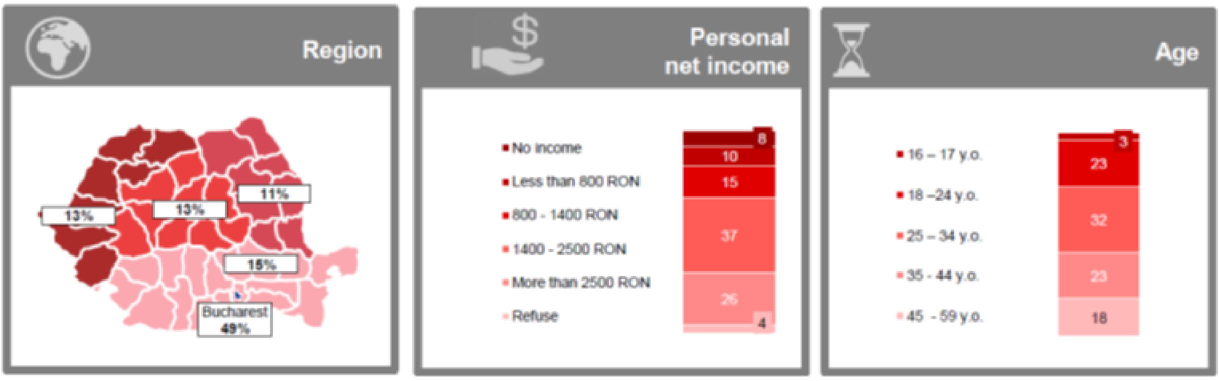
The following table presents the typical data on our Pizza Hut Dine-In and Pizza Hut Delivery restaurants by format, including size range, average number of employees and target payback period.

Typical restaurant data	**Pizza Hut Dine-In**		**Pizza Hut Delivery**	
Restaurant format	Food court	Inline	Food court	Inline
Unit size range (sqm)	200-400	200-700	80-100	80-120
Average no. of employees (all shifts)	32	37	26	26
Average capital expenditure (EUR, current cost)	420,000	650,000	250,000	250,000
Restaurant operating margin* (%, for year 2016)	20.5%	20.5%	17.0%	17.0%

*Source: Management data; * Restaurant operating margin is calculated across the entire brand (Pizza Hut Dine-In and Pizza Hut Delivery, respectively), taking into account all restaurants with full-year sales in 2016*

Pizza Hut’s target customers in Romania are between 16 and 34-year old, but there is significant demand also from the 35-59 age group. According to the data from the National Statistics Institute of Romania, the 15-34 age group comprised 26.1% and the 35-59 age group comprised 37.2% of the population in Romania as at 1 January 2016, respectively. Based on the Brand Image Tracker research report for second quarter of 2017 undertaken by Kantar Millward Brown, which interviewed customers of quick-service restaurants aged between 16-59 years, 32% of total customers are in the 25-34 age group, 23% are in the 18-24 age group and another 23% are in the 35-44 age group.

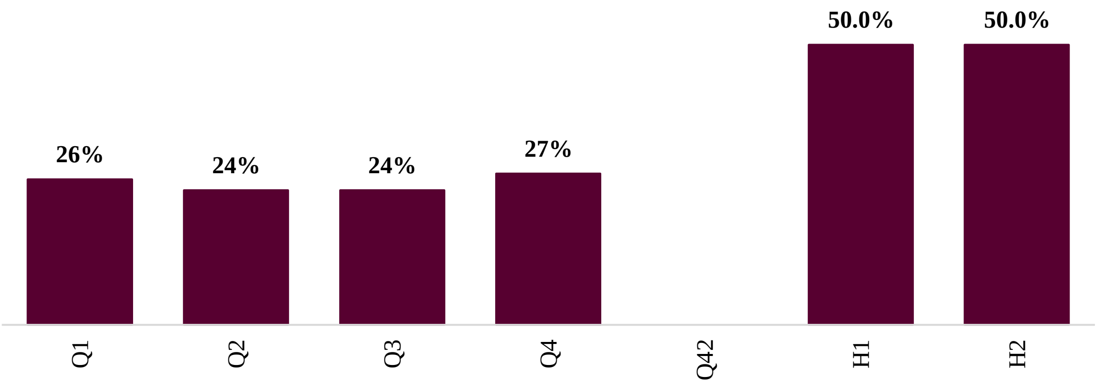
The following charts depict the demographic data of the casual dine-in restaurant customers in cities where Pizza Hut restaurants are opened, based on the Brand Image Tracker research report for second quarter of 2017 undertaken by Kantar Millward Brown.



Source: Kantar Millward Brown, "Brand *Image Tracker*" *report, Q2-2017*

The following chart depicts the sales seasonality of Pizza Hut sales in Romania, computed for all restaurants in operation before 1 January 2016.

Pizza Hut sales seasonality in 2016 - quarterly and half-yearly



Source: Management data

The overall seasonality of our Pizza Hut restaurants is relatively stable across the year: based on the 2016 data, our sales were equally split between the two halves of the year. By quarters, the lowest sales were recorded in the third quarter of the year (24%), while the highest were recorded in the last quarter (27%).

Restaurant management and operation

The management of each brand's restaurant network has a two-tier structure: a line of regional managers (generally, one for Bucharest and one for our restaurants outside Bucharest) coordinating area coaches, who oversee the activity of a number of restaurants (usually six to nine) located in a designated area. Area coaches allocate most of their time at restaurant level and their main responsibilities are, among others, to ensure that the restaurants under their supervision operate at all times according to the internal quality standards and are properly staffed based on the volume of activity, to coordinate local promotions and to help restaurants meet the sales and profit budgets.

The management of the two KFC restaurants in Moldova is integrated into the network management of the KFC restaurants in Romania. The operation of the two restaurants in Italy is currently under the responsibility of the Chief Operations Officer, but we expect to hire and retain a dedicated management team headquartered in Milan, including an Operations Manager or Brand Manager that will drive the business and network expansion in the country.

At the restaurant level across all restaurant formats, the management team is generally comprised of a restaurant manager, deputy managers and manager assistants, who coordinate the work of the restaurant crew (cooks, cashiers, waiters, drivers etc.).

Restaurant development

The overall restaurant development process is a comprehensive methodology of estimating the total market potential for a specific brand taking into account a number of factors, the identification of main trade areas and the positioning of the new restaurants within these trade areas, the negotiation of the main contractual terms for the proposed sites, the design and effective construction of the restaurants as well as their ongoing management after opening. The key components of the restaurant development process are:

- Market development strategic plan
- Market planning
- Site selection and approval
- Restaurant design and construction
- Asset management

Market development strategic plan is the first step comprising assessment of the overall potential of a market in terms of total number of restaurants that can be opened for the respective brand at a certain period. Key factors that are considered in determining the market potential are the total population of the country, the proportion of urban population and density, as well as the purchasing power. The market potential is reviewed periodically based on the changes in its underlying factors.

Market planning determines the optimal location of restaurants based on the detailed analysis of such factors as population density, existing traffic generators (such as shopping centres, entertainment/cinema centres, hypermarkets, DIY & furniture retailers, schools/universities), traffic (car, public transportation and pedestrian) and competition. Based on the market planning analysis, cities are divided into several trade areas, in which new locations are considered to be developed.

Site selection and approval phase, in which multiple sites are assessed before selecting the optimal location, based on factors such as lease cost and planning-related issues (such as zoning restrictions). We usually lease sites for a minimum five years for food court and inline locations and 10-20 years for drive-thru locations, with a break up option after three years for food court and inline locations and five years for drive-thru locations. Contract extensions are generally made by way of a notification served within the 12 months before the expiration of the contract, when lease terms can be renegotiated.

Given the strong brand awareness of both KFC and Pizza Hut brands among the Romanian consumers and their proven ability to attract traffic to commercial centres, we believe we have been generally able to secure favourable locations and lease terms for the majority of the sites we operate.

Once a suitable site is identified and pre-agreed by Yum!, an estimated capex is drafted together with a 10-year profit & loss forecast, which requires approval by the top management team before the lease contract is signed.

Restaurant design is done by our dedicated staff working together with external architecture service providers, with the final design being validated by Yum! on a restaurant-by-restaurant basis. Actual construction of our restaurants is undertaken by third-party construction firms, and may take between two to six months, depending on the restaurant format and specific site features.

Investments

The following table depicts the investments in fixed assets that we have made over the past three years and a half.

Investments by Company (RON million)	2014	2015	2016	30-Jun-2017
USFN (Romania)				
Purchase of intangible assets	0.43	1.25	2.92	1.13
Purchase of property, plant and equipment	4.11	10.94	15.54	14.60
ARS (Romania)				
Purchase of intangibles	0.04	0.95	1.49	0.05
Purchase of property, plant and equipment	1.12	5.82	9.11	2.92
Total investments	**5.70**	**18.95**	**29.05**	**18.70**

Sources: USFN (Romania) Annual Financial Statements and of ARS (Romania) Annual Financial Statements; Sphera Interim Financial Statements, unaudited; ARS (Romania) Interim Financial Statements, unaudited

Our investments are principally directed to the opening of new restaurants, with a smaller portion being allocated for the remodelling of the existing restaurants. We opened two KFC restaurants in 2014, six KFC and four Pizza

Hut Dine-In restaurants in 2015 and six KFC, four Pizza Hut Dine-In and three Pizza Hut Delivery restaurants in 2016.

Our future investment plan is mainly linked to the network development commitment that we have signed with Yum!, through development agreements for each brand and market. For more information in the development commitments to Yum!, please see section "*Strategy*" in this chapter of the Prospectus.

Given the relatively long period until a proper site location is identified and developed into a fully functioning restaurant and in order to safely meet the minimum restaurant commitments as agreed with Yum!, we are assessing a number of potential units on an ongoing basis, with the current pipeline of identified new locations covering the years 2018 and 2019 of approximately 30 possible locations.

The following table depicts the main investment costs associated with the opening of new restaurants and the remodelling of the existing ones, for the main restaurant formats that we expect to open in the following years.

Data in EUR	**KFC Romania**			**KFC Italy**	**Pizza Hut Dine-In**	**Pizza Hut Delivery**
	Food court	Inline	Drive-Thru	Food court	Food court	Inline
New restaurant investment*	350,000	650,000	900,000	800,000	420,000	250,000
Franchise fee						
Initial**	50,100	50,100	50,100	50,100	50,100	25,100
Renewal	25,500	25,500	25,500	25,500	25,500	12,500
Existing restaurants - remodeling						
Minor remodeling	30,000	30,000	30,000	55,000	55,000	30,000
Major remodeling	50,000	50,000	50,000	130,000	130,000	50,000

Source: Management data

** Expected average cost for new restaurants starting year 2017;*

*** The initial franchise fee is included in the new store investment*

Expected average investment costs associated with the opening of new Taco Bell food court restaurants for the main restaurant format that we expect to open in the following years is Euro 350,000.

We will continue to make significant investments in the following years in the growth of our business, primarily through opening new restaurants, but also by investing in existing restaurants. We believe that the current loan facility from Alpha Bank Romania that we are in the process of extending is adequate for financing our capital expenditure needs over the following 12 months.

Supply Chain Management

In order to safeguard the quality and food safety standards of our products, we develop supply relationships only with producers or suppliers that are able to demonstrate high standards of food safety, product consistency and availability. For the food supplies and ingredients that either present food safety risks, are critical to the brands, have a supply risk or are complex to produce (such as meat, cheese, some pizza toppings, tomato paste, flour and some spice mixes), suppliers need to be pre-approved by Yum! and audits on their operations are conducted on an annual basis. These audits are performed by independent specialized companies approved by Yum!.

Moreover, we are constantly researching the market to identify new prospective suppliers and monitor market prices of our key food supplies in order to achieve better purchasing terms and improve our supply flow.

Over 70% of the Group's food supplies and ingredients are sourced from the Romanian market, covering important categories such as meat, cheese and vegetables. Some products, of which a few are critical to the brand's product identity (such as seasonings, tomato paste, pizza flour) are procured through Yum!'s international procurement agreements.

For KFC, our top suppliers for chicken meat are Agrisol International S.A. (Romania), Safir S.R.L. (Romania) and Pilco Ltd (Bulgaria). All of them make deliveries both to the warehouse and directly to the restaurants, while payment terms vary between 20 and 30 days. We supply shortening from Zaklady Tluszczowe (Poland), with deliveries directly to the central warehouse and payment terms of 30 days. The non-alcoholic beverages are supplied by the Coca-Cola Romania, which delivers directly to the restaurants and has a payment term of 15 days.

For Pizza Hut, we work with Ceres (Belgium) for flour (deliveries to the central warehouse and payment term of 60 days), Indalco Mures S.R.L. and International Food Link Ltd (UK) for various types of cheese (deliveries to the central warehouse and payment term of 15-30 days), Ifantis for ham products (deliveries to the central warehouse and payment term of 21 days) and Coca-Cola Romania for non-alcoholic beverages (same conditions as for KFC).

We seek to have more than one supplier for each of its food supplies in order to maintain adequate price competition and ensure alternative procurement channels; for chicken meat, where product calibration is important, we work with multiple suppliers so that we can safely secure adequate quantities at all times; other important products such as non-alcoholic beverages are almost exclusively supplied from a single supplier, as the market is dominated by two large players. We have extended our contract with the Coca-Cola Romania in February 2017 for another five-year term, maintaining favourable commercial terms on product prices, equipment and product distribution to the restaurants, on a non-exclusive basis.

We have our own quality assurance team which ensures compliance with all relevant health and sanitation requirements, establishes key performance indicators for suppliers and monitors compliance with them, liaises with Yum! quality assurance personnel and provides training and other technical support to restaurant staff.

At the same time, we are able to ensure the traceability of all our raw materials and ingredients from suppliers to restaurants, in accordance with local food safety regulations.

Quality Assurance

In all our restaurants, we are committed to providing the highest standards of food quality and safety. We have a dedicated Quality Assurance team that ensures compliance with all relevant health and sanitation requirements, establishes key performance indicators for suppliers and monitors compliance with them, liaises with Yum! quality assurance personnel and provides training and other technical support to restaurant staff.

Quality assurance at supplier level

Suppliers of the food products, ingredients and food-contact packing materials that either present food safety risks, are critical to the brands, have a supply risk or are complex to produce (such as meat, cheeses, some pizza toppings, tomato paste, flour and some spice mixes) are required to be pre-approved by Yum!, following several specialized audits whose requirements are generally higher than the ones imposed by the current legislation. These suppliers must also conduct annual audits on their operations, which are carried out by independent specialized companies approved by Yum!. In case of non-conformities, suppliers are required to perform another audit within 60 days to close such non-conformities. In this respect, we use a dedicated Yum! website platform (Starnet) through which we ensure the permanent information of the suppliers with our requirements, the availability of the audit reports and their monitoring online.

Together with suppliers, we organise "cutting sessions" on a periodic basis, which consist of the verification of the physical and sensory testing for the core products. Following these sessions, we assess the conformity of the tested products against our standards and make proposals for the continuous improvement of their product quality. We also offer permanent support for all our suppliers in order to comply with our food safety and quality requirements.

Quality assurance at restaurant level

All our restaurants have implemented food safety procedures in accordance with HACCP principles, which are provided by the EU and local legislation (EU Regulation 852/2004, EU Regulation 853/2004; Romania's Government Decisions 924/2005 and 925/2005). Through these procedures, we continuously monitor all parameters with potential impact on consumer health, such as product storing temperature, cooking temperature, personnel hygiene and of the restaurant's facilities. We ensure the safety of our products through monthly self-testing programs of the microbiological parameters of the finished products, water, ice and working surfaces.

We are monitoring the traceability of all our raw materials and ingredients from suppliers to restaurants, in accordance with local food safety regulations. We also conduct annual mock recovery tests, in order to identify and improve potential traceability gaps.

A key objective of our Quality Assurance department is the proper and continuous training of the food safety team of each restaurant and the quick updating of the changes in legislation and the research in the food safety field (such as EFSA – European Food Safety Authority and GFSI - Global Food Safety Initiative).

We have also implemented a food safety crisis management procedure at the restaurant level, which sets in detail the responsible persons and the steps that need to be followed for a swift resolution of a potential crisis. We train our restaurant staff on this food safety crisis management procedure on an annual basis. In the past three years, we have never had any significant events related to the food safety in our restaurants.

We also strive to provide our customers with detailed information regarding the ingredients, nutritional values and allergens of our products.

Our Quality Assurance department ensures the interface with the State authorities on the food safety, such as DSP (Public Health Department, ANSVSA (National Sanitary Veterinary and Food Safety Association), ANPC (Consumer Protection National Association) during all the controls initiated by these authorities and provides all required feedback.

Distribution

Since November 2016, warehousing and transportation activities have been outsourced to Havi (Romania), which is the Romanian subsidiary of the US-based logistics services provider HAVI Group, with a strong European presence. Havi (Romania)'s warehousing facilities meet the highest applicable logistics and food safety standards, including product traceability.

As part of the contract we have with them, most of the products are acquired directly by Havi (Romania) from our pre-agreed suppliers (with a few notable exceptions, such as beverages from Coca-Cola Romania and part of chicken deliveries, which are supplied directly to the restaurants), stored in Havi (Romania)'s warehouses and delivered to the restaurants on demand. Each restaurant in our network estimates its own inventory needs based on the current and prospective short-term sales forecasts, as well as on the pre-set delivery schedules and sends the inventory acquisition requests to Havi (Romania), which consolidates them and initiates purchasing orders from our suppliers. The responsibility of stocking lies generally with Havi (Romania), except for special periods such as the promotion of novelty products or during winter period, when we take responsibility for the volume of acquisition initiated to certain suppliers.

Transportation is provided by Havi (Romania) and is based on pre-set delivery schedules to all the restaurants, which generally takes place on a daily basis for Bucharest restaurants and twice a week for restaurants outside Bucharest.

Distribution of restaurant supplies to our KFC restaurants in the Republic of Moldova is done directly from Romania, through Havi (Romania). In Italy, we supply our KFC restaurants from the distribution network developed and maintained by Yum! in Italy. This means that we have access to the same restaurant supplies and prices as any of the other franchisees operating in Italy.

Marketing and Advertising

Our marketing strategy aims at growing sales and margins by strengthening or consolidating the KFC and Pizza Hut brand awareness among our consumers, through various actions and targeted messages that boost the appeal for our brands, promote the quality of our products, outline our innovative drive, and our desire to offer an elevated guest experience. Through a combination of innovative products and attractive value-for-money deals offered in our restaurants, we aim at increasing our customers' visit frequency as well as their loyalty towards our brands.

To this end, we are actively surveying consumers' perception patterns towards our brands, products and services as well as on their food consumption patterns and lifestyle preferences in order to continuously improve our offering and thus remain relevant with our consumers. The main types of consumer research that we are conducting are the following:

- Brand Image Tracking reports

  The main purpose of Brand Image Tracking reports is to identify quick-service and full-service restaurant market's size and consumption incidence, measure the progress made by the brands quarter by quarter, benchmarking our brands against appropriate major competitors, on a set of critical image attributes, identify our brands' strength and discover the communication pillars that will help the brand grow, as well as assess campaigns' performance.

- Usage & Attitudes reports

  These reports identify people attitudes towards quick-service and full-service restaurant concepts, consumption habits, triggers and barriers towards these foodservice categories, and identify market segments with the strongest potential to be targeted by our brands and opportunities for growth.

- Concept and Product tests

  For each innovation window, we test the new concepts and products to be launched in order to choose the most successful product between several variants, optimize the products in order to make sure they fit consumers taste and optimize the selling price. For existing products, we test potential improvements in ingredients, taste and perception in order to boost their appeal with our consumers.

- Business opportunity studies

  These studies assess the potential of launching a new brand on the market, by identifying the competitive set and expected financial performance, whether there is room for another player, assess customers' appeal towards the type of restaurant intended to be open and test the products of the new brand with consumers.

Our consistent marketing activity has enabled our brands to enjoy one of the highest levels of awareness among the Romanian restaurant customers. According to the "Brand Image Tracker" report, January-March 2017, prepared by Kantar Millward Brown, the spontaneous (unaided) awareness of KFC averaged 80% during 2016, being close second to that of McDonald's, our main competitor (83%) and much higher than the next competitor on the QSR segment (Subway, with 25%). During the same period, the spontaneous awareness of Pizza Hut reached 49% by the end of year 2016, ranking first, with the next competitor having reached 16%.

The overall marketing activity generally relies on several different pillars, but strategically there are four key directions that are present in the communication plan:

- Reinforce core products;
- Strengthen innovation;
- Grow new layers;
- Value always on.

Reinforcing core products refers to the promotion of products that are considered as defining the essence of our brands (such as Buckets, Twister sandwiches, Hot Wings or Crispy Strips products for KFC, certain pizza recipes on pan, classic and stuffed crust dough for Pizza Hut). These products represent an important part of our sales mix and generally command above average gross margins. *Innovation* refers to the launch of new product offerings, generally over a limited period, aiming to bring novelty into our menus and increase the perception of variety among our customers. Over the past few years, we were particularly successful in launching new products such as Fillet Bites, Burritos and American Bites for KFC, Cheesy Bites Remix, Cheese and Pepperoni and Flatbread pizzas for Pizza Hut. *Growing new layers* offers the possibility of tapping into new consumer segments or dayparts by introducing breakfast & coffee, sandwiches, portable snacks, new range of beverages & desserts or delivery. *Value always on* refers to our strategy to maintain attractive value-for-money offerings permanently into our menus, though we also run dedicated campaigns on value products during each year.

As per the franchise agreements signed with Yum!, we spend at least 5% of our revenues on marketing and advertising activities. For 2016, this expense amounted to RON 26.5 million; of this amount, approximately 65% was spent on media (mostly on TV, outdoor and digital media). Given the size of the marketing budget, we have been increasingly able to produce the TV commercials and digital activations locally, which enable us to personalize the messages based on the local consumer insights. In the past 3 years, we moved from tactical communication to 360° campaigns which build a genuine emotional connection to the Romanian consumer and allowed for the brands to be relevant for the target consumer.

For the KFC brand, we are now present with TV advertisements in all our six main marketing campaigns (covering 48 weeks in the year 2016), with all TV commercials being produced locally. For Pizza Hut, two out of the five commercials broadcasted on TV during 2016 were filmed locally and we have increased our total TV coverage to 36 weeks during the year 2016. TV is used as the main reach builder for young adults and we increase visibility by generally placing our television commercials in premium positions. Our *out of home* strategy is focused on covering the proximity of our restaurants, but also identifying new relevant areas of interest for our target customers. We also use tactical supports to spread the news when needed (branded buses, poster frames, branded subway, full branded bus stations). We are also highly present following our consumer's increased digital use and general online habits, focusing campaigns to that specific segment and leveraging on our brand awareness and visibility.

Our communication partners are McCann Worldgroup Romania for creative services, MRM McCann for digital content, Universal McCann for media strategy and planning and Golin Romania for PR and social media, all of them globally awarded agencies with strong track records on the Romanian market.

In Italy, we pay the contractual advertising contribution (set at 5% of sales) directly to KFC Italy SRL, which is in charge with all marketing activities across the country.

The quality and efficiency of our marketing campaigns in Romania have been recognized over the past years by marketing institutions across the world through a large number of awards. The most important of these awards and recognitions are the following:

- **EFFIE Awards** – one of the most significant awards in the industry, evaluating a campaign's both creative idea and efficiency (as measured by sales performance). The competition is a national award spread internationally and it has been organized since 1968 by the New York American Marketing Association.
    - 2017 - SILVER EFFIE for KFC – "Christmas Bucket", "Smart Menu", Sustained Success (performance of last 3 years);
    - 2017 - KFC – Brand of the Year;
    - 2016 - SILVER EFFIE for KFC – "American Bites";
    - 2016 - BRONZE EFFIE for KFC – "Duetos", "Fakation";
    - 2016 - BRONZE EFFIE for PH – "No Keyboard" campaign.
- **Golden Drum Awards –** established in 2004, the Golden Drum Advertising Festival of New Europe is one of advertising's biggest and most important events, celebrating excellence in marketing and communication across different cultures
    - 2015 - SILVER Drum for "Little Money Big Fun" in Digital Campaigns;
    - 2014 - SILVER Drum for "Best Part of Pizza" in Direct Marketing;
    - 2013 - SILVER Drum for "Bite to Win" in Digital Campaigns;
    - 2013 - SILVER Drum for "Bite to Win" in Mobile Campaigns.
- **Eurobest Awards -** the organizer of Cannes Lions, Eurobest is the celebration of European creativity. It's a festival that draws on the continent's varied cultures and vibrant communities to inspire learning, interaction, debate, and a healthy dose of competition.
    - 2015 - GOLD in PR – "Little Money Big Fun" campaign.
- **Internetics Awards –** the first branding, marketing and online advertising festival in Romania. Organized since 2001, the competition contributes to the development and improvement of the online and digital industry in the country.
    - 2016 - GOLD – KFC: The most creative brand of the year;
    - 2016 - GOLD – Social Media: Special Mechanics – "Little Money Big Fun";
    - 2016 - GOLD – Social Media: Special Mechanics – "Fakation";
    - 2016 - SILVER – Interactive Campaigns: Full Digital Campaign – "Wi-Fi Test".
- **One Show Pencils** – a very prestigious awards show recognizing the best creative work in advertising, interactive, design and branded entertainment organized every year in New York and opened to brands and agencies from around the world.
    - 2016 - BRONZE for KFC "Rich Kids of Instagram" campaign (digital).
- **Festival of Media Global –** Rewarding the very best media campaigns from around the globe, the Festival of Media Awards is established as the leading recognition for brands, agencies, media brands and digital/marketing specialists. The Awards provide the benchmark for innovation in media across its Global, MENA, APAC and LatAm editions.
    - 2016 - SILVER Best Use of Content - "#littlemoneybigfun".

Our contractual relationship with Yum!

Franchise Agreements

We enter into franchise agreements with Yum! entities upon the opening of and in respect of carrying business in each of our restaurants (the "**Franchise Agreements**"). Each Franchise Agreement requires that certain guarantors (the "**Guarantors**") enter into a shareholder deed with the Franchisor whereby the Guarantors guarantee Franchisee's obligations and liabilities under the Franchise Agreement.

On the date of this Prospectus, members of our Group have entered into a number of 105 Franchise Agreements with Yum! entities for the operation of our restaurants under the Yum! franchise.

All Franchise Agreements are based on the standard international franchise agreement, the main terms and conditions of which are summarised hereinafter:

<u>Franchisors</u>: Yum! Restaurants International entities.

<u>Franchisees</u>: USFN (Romania) for KFC, ARS (Romania) for Pizza Hut and Pizza Hut Delivery, and California Fresh Flavors (Romania) for Taco Bell, where KFC, Pizza Hut & Pizza Hut Delivery and Taco Bell, are referred hereinafter to as "**Concepts**".

<u>Licence</u>: right to use (i) the system for preparation, marketing and sale of food products used in operating the Concepts (the "**System**"), (ii) the contents of the manuals and all other know-how, information, specifications, systems, and data used in, or in respect of, the System, including trade secrets, copyrights, design, patents and other intellectual property rights (the "**System Property**") and (iii) the trademarks, service marks, trade names and other similar rights owned by the Franchisor or its affiliates and designated from time to time for use in the business (the "**Marks**").

General terms and conditions:

Non-exclusivity: the Licence is granted on a non-exclusive basis; the Franchisor and its affiliates operate and may operate restaurants (other than the restaurant for which the Franchise Agreement is entered into with the Franchisee) or other systems for the sale of food products and services, which may compete directly with the business operated by the Franchisee under the Franchise Agreement.

Use only: the Marks, the System Property and the goodwill associated with them are the exclusive property of the Franchisor and its affiliates. The Franchisee does not acquire any rights, interests or benefits to them, other than the right of use, based on the Franchise Agreement. The Franchisor may at any time change or withdraw any of the Marks or designate new Marks and the Franchisee must implement such changes.

Term: typically 10 years. The Franchisee may renew the Franchise Agreement for a one-time renewal term with identical contractual and financial terms (except for the contract renewal clause), subject to satisfaction of a series of conditions (e.g. notice period, no breach of contract, no payment default, upgrade of the restaurant, training and certification under Franchisor's management training programmes etc.) and payment of the renewal fee.

Fee structure: exclusively for the grant – a fixed amount initial fee paid upon grant ("**Initial Fee**") and continuous fees payable during the term of the Franchise Agreement (expressed as a percentage of the revenues) ("**Continuing Fees**"). The amounts to be paid must be free of any deduction, without set off, and free of any taxes payable in respect of such amounts, other than as required by law. Any late payments shall trigger accrual of default interest.

Conduct of business: the business must be conducted in strict compliance with the manuals and standards imposed by the Franchisor.

Pricing: the Franchisee is free to set its own prices of the Approved Products; the Franchisor may recommend prices.

Guarantee: provision of a guarantee by the Guarantors to secure the Franchisee's obligations and liabilities under the Franchise Agreement.

Right to inspect locations: the Franchisor has the right at all times during the opening hours to enter and inspect the restaurant without prior notice to the Franchisee.

Right to inspect accounting records: the Franchisor has the right to inspect and audit at any reasonable time the records of the Franchisee. In case any deficiency is found in the Franchisee's payment of any amount payable or required to be spent by the Franchisee, the Franchisee shall immediately pay the deficiency plus a late payment interest and, in certain cases, all audit or inspection costs.

Other discretions: the Franchisor may apply payments from the Franchisee in any manner and to any indebtedness owed to Franchisor as the Franchisor may deem appropriate.

Upgrades: the Franchisee must upgrade the restaurant in accordance with the Franchisor's instructions, with generally no upgrade obligation during the last 2 years of the term.

Insurance: maintained at all times by the Franchisee, and the Franchisor named as an insured party.

Approved Products: the Franchisee may only prepare, market or sell products or services approved by the Franchisor in advance (the "**Approved Products**"). The Franchisor notifies the Franchisee of the Approved Products to be offered for sale at the restaurant as permanent menu items and specifies the times during which the products are to be offered.

Future Rebranding: the Franchisor may at any time and for any reason, at its discretion, withdraw the right to use any or all Marks related to the Concept at the restaurant and require the Franchisee to adopt alternative marks specified at that time by the Franchisor.

Exclusive suppliers: the Franchisee may purchase the supplies, materials, equipment or services used for the business exclusively from suppliers and using the distributors approved by the Franchisor or from other franchisees of the Franchisor, prior to the time of supply or distribution. The Franchisee waived any claims against the Franchisor for any non-delivery, delayed delivery or non-conforming delivery by any supplier or distributor or by another franchisee.

Advertising: any advertising, marketing, research or promotional activity of the business must be carried out only with the prior approval of the Franchisor. A percentage of the Franchisee's revenues from the restaurant ("**Advertising Contribution**") must be directed for this purpose in accordance with the Franchisor's instructions, including, to a co-operative advertising/marketing fund. The amounts paid to the co-operative advertising/marketing fund are not required to be spent for the specific benefit of the Franchisee or its business. For certain restaurants only, subject to strict compliance by the Franchisee with its obligations under the Franchise Agreement, the Franchisor agreed to re-pay to the Franchisee each month during the first 2 years of the agreement term 100% of the Continuing Fees that the Franchisor receives timely and the Franchisee agreed to use such amounts for advertising purposes and only for such expenses as the Franchisor approves in writing. The Franchisor may terminate such payments in case of certain events.

Indemnity: full indemnity of the Franchisor and its affiliates in connection with the Franchisee's conduct of business and exercise of rights under the Franchise Agreement or with any act or omission by any agent, representative, contractor, licensee, or invitee of the Franchisee (except in case of Franchisor's fault or negligence).

Non-compete: for wholesale or retail preparation, marketing or sale of any food products by the Franchisee, on own account or as a member, shareholder, director, employee, agent, partner, joint venturer, advisor, consultant or lender – applicable within a radius of 5 km of any Pizza Hut restaurant located in the country where the restaurant is located. Yum! cannot reasonably withhold approval if requested by us other than when the following products constitute more than 20% of products sold: Pizza, Chicken, Ready to eat Chicken, Mexican, Beef burger products.

No assignment/encumbrance: the Franchisee may not charge, pledge or encumber or create security interest or lien over any interest in or right under the Franchise Agreement or in the business or in any assets of the business. Subject to satisfaction of a series of conditions, the Franchisor may transfer an ownership interest in the Franchise Agreement to a spouse or a child without the consent of the Franchisee being required. In case of permitted assignments, transfer fees and costs apply. These restrictions apply also to: (i) sale, transfer, charge, gift or pledge by any party of any interest or share in the Franchisee, (ii) issue of any new shares in the Franchisee to any party who is not a shareholder in the Franchisee at the date of grant and (iii) reconstruction, reorganisation, amalgamation or other material change in the structure or financial condition of the Franchisee (the "**Corporate Restructuring Events**"). The Company, acting on behalf of each Franchisee under the Franchise Agreements, applied and obtained the written approval of Yum! acting on behalf of each Franchisor under the Franchise Agreements for the restructuring of the Group prior to the Offering and for the Offering and of any and all transactions and operations carried out or to be carried out in connection therewith.

Sale Transfer Policies: the Franchisor may at its sole discretion introduce or withdraw from time to time Sale Transfer Policies that would be reflected in the Franchise Policies Manual.

Termination:

By the Franchisor with prior notice to the Franchisee, in case of *inter alia* the following events of default:

- Preparation, marketing or sale of products or services other than the Approved Products;
- Sub-lease of business or any parts thereof or conduct of business outside the restaurant without the approval of the Franchisor;
- Breach of obligations related to Marks and System Properties;
- Breach of confidentiality obligations;
- Breach of prohibitions and related obligations with respect to the non-assignability of the business or of the Franchise Agreements, including in case of Corporate Restructuring Events;
- Breach of the guarantee by the Guarantors (subject to a cure period);
- Any crime, offence or act carried out by the Franchisee or any Guarantor likely to adversely affect the goodwill of the business, the Marks, the System or the System Property;
- False records maintained by the Franchisee or false data reports to the Franchisor;
- Abandonment or cessation of business operations for more than 3 consecutive days;
- Cross-default with any agreements related to the business (subject to a cure period).

Rights in addition to termination: In case any of the events described above occur, additionally the Franchisor may take the following actions:

- Termination of Franchisee's right to renew the Franchise Agreement;
- Termination of any development or option rights in respect of any system or concept granted to the Franchisee pursuant to any agreement between the Franchisor and the Franchisee (or their affiliates);
- Take any action deemed necessary to cure the breach at the Franchisee's cost; or
- Limit or withhold the supply of any products, supplies, material, equipment or services supplied to the Franchisee by the Franchisor or its affiliates.

The Franchisor may also take control of business for such period as it deems necessary at the Franchisee's cost.

Consequences of termination: Immediately upon the expiration or termination of the Franchise Agreement, the Franchisee will:

- Pay all amounts owing to the Franchisor;
- Discontinue use of Marks, System and System Property and cease holding out any affiliation with or association to the Franchisor or the System;
- Dispose of all materials bearing the Marks, and all proprietary supplies in accordance with the Franchisor's instructions; and
- De-identify the restaurant if required by and in accordance with the instructions of the Franchisor.

Based on our Master Franchise Agreement entered into with P.H. Europe S.a.r.l. on 11 April 2016 for the franchise rights to operate Pizza Hut Delivery restaurants, in April 2016 we have sub-franchised the right to develop and operate a Pizza Hut Delivery restaurant to American Delivery System S.R.L., a Romanian private limited liability company, under substantially the same terms and conditions as set out in our Franchise Agreements with Yum!.

Development commitments

We have committed to Yum! to develop and operate a certain number of restaurants for the Yum! brands within a specific period of time, as detailed in section "*Business - Strategy*" of this Prospectus. Under the development commitments, subject to us reaching certain trigger number of restaurants and fulfilling other minimum conditions, Yum! may grant us certain incentives. There are also consequences in case we fail to develop the minimum number of restaurants, as detailed above.

KFC (Romania)

In case we fail to develop the minimum committed number of restaurants per year, we must forego the initial fees for each restaurant not opened during the respective year and remain obligated to open any such outstanding restaurants in the subsequent year. Also, we are required to pay an assumed continuing fee of USD 5,000/month/restaurant commencing on the first day of the subsequent year in respect of each month or part of the month that the minimum target is not satisfied. The assumed continuing fee falls due on the earlier of: (i) date of opening of restaurant, at which point the assumed continuing fee shall be paid in full and shall then cease to accrue, and from which point the standard continuing fee shall begin to accrue; and (ii) last day of the year subsequent to the year in which the development target has not been met (for a period of 10 years). If a third party opens a restaurant in the development area, the initial fee will be refunded and the assumed continuing fee shall cease.

We benefit from a waiver by Yum! of the standard initial fee for all new restaurants exceeding the trigger number (as shown in the table above). Any incremental restaurants will not count towards the required number of the scheduled net new restaurants in any subsequent year. Also, subject to compliance with certain conditions, we have a territorial protection in Romania and in the Republic of Moldova during the incentive term 2017 – 2021.

KFC (Italy)

In case we fail to develop the minimum committed number of restaurants per year, we must forego the initial fees for each restaurant not opened during the respective year and remain obligated to open any such outstanding restaurants in the subsequent year. Also, in case of KFC Piedmont, we are required to pay a royalty recovery fee of USD 50,000 per unopened KFC restaurant for each period and an additional royalty recovery fee of USD 50,000 for each restaurant failed to be built during the term.

We benefit from a waiver by Yum! of the standard initial fee for all new restaurants exceeding the trigger number (as shown in the table above). Also, we benefit of a right of first refusal for any new KFC restaurants intended to be developed in the North-East Italy (subject to us complying with certain conditions) and, in case of KFC Piedmont, again subject to us complying with certain conditions, Yum! has undertaken not to permit third party franchisees to open new restaurants and not to open own restaurants in the areas listed in the development plan.

Pizza Hut

For Pizza Hut restaurants (Dine-In and Delivery) we must pre-pay on the 1st of January the initial fees that are due for each year for which the development commitment was set. If a new restaurant is a Dine-In, we must pay the balance of the initial fee for the Dine-In restaurant prior to opening.

In case we fail to develop the minimum committed number of restaurants per year, we must forego the initial fees for each restaurant not opened during the respective year and remain obligated to open any such outstanding restaurants in the subsequent year. Also, we are required to pay an assumed continuing fee of USD 5,000/month/restaurant commencing on the first day of the subsequent year in respect of each month or part of the month that the minimum target is not satisfied. The assumed continuing fee falls due on the earlier of: (i) date of opening of restaurant, at which point the assumed continuing fee shall be paid in full and shall then cease to accrue, and from which point the standard continuing fee shall begin to accrue; and (ii) last day of the year subsequent to the year in which the development target has not been met (for a period of 10 years). If a third party opens a restaurant in the development area, the initial fee is refunded and the assumed continuing fee shall cease.

In case we develop the trigger number of new net restaurants in any given year (as specified in the "*Strategy*" chapter of the Prospectus), Yum! will reimburse us with 50% of the initial fee for the 2 previous restaurants (before reaching the trigger number) and the entire initial fee for the threshold restaurant, and any additional new net restaurants beyond the threshold restaurant is the same given year will benefit of a 50% reimbursement on the initial fee paid.

Taco Bell

As incentive to reach the development targets, Yum! has agreed to credit against the monthly continuing fees due for each incentive restaurant (for a maximum of 10 restaurants): (a) 4% of the revenues for the 1st to 12th month since opening; and (b) 2% of the revenues for the 13th to the 24th month since opening. In case we fail to develop the minimum committed number of restaurants per year, Yum! has the right to terminate any incentives.

Real Estate, Equipment and Technology

Our current business model relies on leasing the locations in which we operate our restaurants; therefore real-estate ownership is insignificant in our assets and operations. We own a real-estate property, in Bucharest, in which we operate the Pizza Hut Mosilor restaurant. In addition, we also own a small warehouse in Constanta (on 10 Răscoalei 1907 Street), which is not used at present for operational activities.

In our restaurants, we use equipment and technology that is generally specific for the restaurant business: kitchen equipment, customer ordering equipment and supporting IT technology to record inventory movement, sales and payments. All our kitchen equipment complies with the Yum!'s requirements.

Our restaurants are endowed with various kitchen equipment for the proper storage, preparation and display of food (raw materials, ingredients and finished products).

The main equipment used by a KFC restaurant includes:

- Food preparation: fryers (open fryers, pressure fryers), ovens, toasters, blenders, slicers, Holding equipment, breading machines, marinators;
- Food display: Hot Display cabinets and merchandisers;
- Storage: Walk-in and cabinet fridges and freezers;
- Other equipment: coffee machines, ice cream machine, ice-making machine, beverages mix station.

The main equipment used by a Pizza Hut restaurant includes:

- Food preparation: pizza ovens, pasta stations, bain marie, dough mixers, proofers, retarders, induction cookers, open fryers, grills,
- Storage: Walk-in and cabinet fridges and freezers;
- Other equipment: washing machines, scooters and pizza boxes and hot pouches (for Pizza Hut Delivery units) coffee machines, slicers, ice-making machine.

Sales and inventory of products for our KFC and Pizza Hut restaurants in Romania are managed through Micros Suite, an integrated point-of-sale software and hardware solution: it principally covers the touchscreen terminals that are used by cashiers to operate orders from clients and initiate the collection process and the back-office software, called MyMicros or Oracle Hospitality Reporting and Analytics that provides inventory management and sales reporting tools. The Micros systems allow us to monitor sales and theoretical inventory levels in real time across all restaurants. In our KFC restaurants in Italy as well for the Taco Bell restaurants, we use an integrated IT solution provided by NCR, which is based on Aloha POS front-end terminals and NDO back-end solution, which provide similar level functionality as Micros system. On a practical level, we closely monitor sales on a daily basis against the performance versus previous year and budget, with weekly, monthly sales reports being similarly analyzed at the end of each period.

We also employ additional technology for speeding up the ordering process. All our newer KFC restaurants (17 restaurants opened starting December 2012) feature the Fusion ordering system, which separates the ordering from the front-office preparation of the order. Under this system, we operate with only three ordering points (compared to five to six terminals in a standard restaurant), where cashiers input a customer's order at the touchscreen terminal, which is then routed automatically to the kitchen for preparation. The customer receives an order number which is queued on a monitor screen (as order in progress) and when the order is finalized by a dedicated front-of-house staff, the order can be picked up by the customer. The Fusion system represents a significant improvement in the speed of service and preparation efficiency compared to the standard system, when the cashier deals with both the input of the order, the communication of the order to the kitchen and the final assembly of the order.

For Pizza Hut Delivery, we use technology to improve our delivery services and accessibility of our products to customers. The delivery activity is supported by a dedicated mapping software application, which optimally maps the delivery areas between our restaurants so that we minimize the delivery times and routes and ensures the management of the customer information database. In terms of ordering accessibility, in addition to the classic call center lines (at 021 210-1010 or *1010), customers can also place orders electronically through our dedicated website platform (www.pizzahutdelivery.ro) or our mobile application (currently available on both Android and iOS platform). Both the website ordering platform and mobile applications are owned by us, being developed by third-party software developers. In Cluj Napoca, we also have our products available for ordering through an independent web-based food integration service called HipMenu. As of September 2017, the share of electronic orders was circa 30% of all delivery orders.

In the KFC restaurants, we use QPM ("Quality Product Management"), which is a Yum!-recommended software tool developed by the US company Kitchen Brains that wirelessly networks cooking appliances and sales terminal, providing real-time production monitoring and administration capabilities. The key advantages of QPM are the exact monitoring of the restaurant's food production's freshness, availability and waste.

In terms of customer feedback, we employ GES ("Guest Experience Survey"), which is a Yum!-recommended software tool developed by the US company SMG that collect opinions from our customers in all our restaurants on a number of areas (taste of food, speed of service, order accuracy, staff friendliness, cleanliness of restaurant, overall value, incidence and resolution of problems, overall satisfaction and likelihood to return).

Intellectual Property

The Group has rights to use, among others, the KFC and Pizza Hut names, logos and products to operate the restaurants on the basis of the Franchise Agreements. The Franchise Agreements grant us the right to use the trademarks, the system and the system property developed by Yum! for the preparation, marketing and sale of food products in accordance with the KFC and/or Pizza Hut concepts at each restaurant location. The KFC and Pizza Hut trademarks, system and system property are owned by Yum! and/or its subsidiaries and affiliates.

Responsibility for enforcing any infringement of the intellectual property licensed to the Group lies with Yum!.

Environmental protection

Our philosophy is to minimize our impact on the environment and leave the smallest footprint possible. We are committed to creating a sustainable business, in the way we source our chicken meat and other food products, in our design and use of packaging and in how we build our restaurants. Since 2015, we have started a sustainability program and we are continuously striving to make our brands as environmentally friendly as possible. We are committed to safety and quality. At the same time, we work hard to preserve and protect nature and its resources by using only what is necessary, and focus each day to enhance the livelihoods of our team members and surrounding communities.

Environmentally friendly packaging

We aim to make our packaging as environmentally friendly as possible. All our paper-based packaging suppliers fulfil the Forest Stewardship Council (FSC) standards and are certificated to process products originated from forests that are managed in accordance with the principles and criteria of the FSC. The FSC is a global not-for-profit organization that sets the standards for what is a responsibly managed forest, both environmentally and socially. We work continuously with our partners to remove, reuse or reduce packaging while ensuring the quality of our food.

No use of Palm Oil

We eliminated palm oil from our food production in 2016 and replaced it with sunflower and rapeseed oils. We do not use trans fat oil in our operations.

Recycling cooking oil as biodiesel

We are collecting the used cooking oil from all our restaurants and turn it over to specialized collection companies in view of its recycling.

Fairtrade Coffee

Each coffee we sell to our customers has Fairtrade certification and comes from 100% Arabica beans.

Aiming for zero food waste

We are currently developing our Food Donation Scheme in order to be able to donate unsold chicken from our KFC restaurants to local charities. We aim to roll out the pilot program by Q2 2018.

Employees

As of 30 June 2017, the Group had 3,651 employees (including both full-time and part-time employees), all of them hired on undetermined tenure, of which 3,499 were employed in the restaurants. The increase in the number of our employees over the past three years was mainly due to the opening of new restaurants.

The following table depicts the number of our employees as at 31 December 2014, 2015 and 2016 as well as at 30 June 2017, broken down by main category of activity (restaurants and administrative).

	31-Dec-14	31-Dec-15	31-Dec-16	30-Jun-17
Restaurant employees				
USFN (Romania)	1,934	2,196	2,593	2,769
ARS (Romania)	530	677	861	860
Total restaurant employees, of which:	**2,464**	**2,873**	**3,454**	**3,629**
- Full-time employees	1,668	1,928	2,180	2,270
- Part-time employees	796	945	1,274	1,359
Administrative	108	116	158	154
Total employees	**2,572**	**2,989**	**3,612**	**3,783**

Source: Management data

Between 30 June 2017 and the date of this Prospectus, there have been no significant changes to the number of employees, other than the transfer of approximately 105 employees from USFN (Romania) and ARS (Romania) to the Company following the consolidation by the Company of certain functions from the subsidiaries.

USFN (Romania) has in place a collective bargaining agreement with its employees' representatives, which was registered with the Labour Territorial Inspectorate under no. 329 of 08 August 2016 and ARS (Romania) also has in place a collective bargaining agreement with the employees' representatives that was registered with the Labour Territorial Inspectorate under no. 330 of 08 August 2016. The validity of the current collective bargaining agreements is of 2 (two) years starting with 08 August 2016. If none of the parties terminates the agreement with 30 days before its expiry, it shall prolong for a new period of 12 months. The collective bargaining agreements do not provide for any severance payments upon collective dismissal, termination of employment or on reaching normal retirement age, having standard rights for company's specific activity.

With respect to individual labour agreements concluded with their employees, both USFN (Romania) and ARS (Romania) use a standard template based on the requirements of the labour legislation its employees. USFN (Romania) and ARS (Romania) do not have employees with specific activity which leads to the necessity to have special templates.

USFN (Romania) and ARS (Romania) also have in place internal regulations which provide for the rights and obligations of USFN (Romania), respectively ARS (Romania) and of the employees during the employment relationship. The internal regulations provide for all the mandatory provisions, as required by the employment legislation.

Training and career development

We are committed to offer our employees the chance for a continuous learning opportunity and personal development that will allow them to continue their career development.

All our new employees go through a thorough training process of up to 40 hours for familiarizing with overall standards of operations and job-specific procedures. This training process covers both the theoretical knowledge, which is accessed through Yum!'s online Learning Zone platform as well as practical knowledge, which is performed under the supervision of restaurant trainers.

In order to be promoted, our restaurant crew is offered dedicated training programs that last up to one month (up to two months for candidates with no previous experience in our restaurants, which consist of online courses, tests and 1:1 coaching sessions. We are proud that ever since our first restaurants were opened, most of our restaurant general managers and area managers, as well as our Chief Operating Officer, Chief Development Officer and most of Brand General Managers, Area Managers and Restaurant Managers have started as crew members in our restaurants.

The Company's employee base comprises predominantly young labour force, and often their employment with our brands is their first ever work experience.

While we understand that addressing the labour needs of our labour base is critical to our success, we have over time, and through active collaboration with Yum!, developed training practices and key processes within our company aimed to support employee engagement, retention and continuous learning.

We have actively sought to create training programs that address not only the job skill set necessary to perform day-to-day tasks within our restaurants, but also extended skills such as active responsibility, accountability, time keeping, customer service, communication skills and team work.

Our training programs across the various brands and geographies that we operate come to ensure an effective and decentralized control structure, and create an organizational culture that drives workforce engagement.

As a company, we continuously invest in training at all levels throughout our business. Training takes place typically in three mediums, "on the job", class room type, and e-learning. As an example, some of the typical courses that we have deployed in 2017 include:

- various work-shops involving more than 500 participants;
- internally designed leadership course on Leader vs Manager to more than 140 store level leaders;
- Recruitment Training for circa 200 managers to help interview and recruit talent at store level.

As a business, we have to adapt to the rapid changes within the workforce, and our training and coaching programmes have been designed to assist towards this end. One of our key training programs on this direction is called "Leading with Heart", a personal development program that helps drive self-awareness, including a 360-degree feedback tool.

"Leading with Heart" was launched in 2016 and has since been cascaded across the restaurant general managers in 2017 and planned to further include store management teams soon. Our senior managers within the organization are being trained on an additional program named “Coaching with Heart”, to ensure that they are able to support teams with the skills that Leading with Heart provides.

"Leading with Heart" has been delivered to-date to nearly all the staff at the Head Office and will have been rolled out across Romania to more than 120 senior restaurant managers by the end of 2017. "Coaching with Heart" program has been delivered to nearly 50 senior managers.

Training is developing around three core trends emerging in leadership development:

- evolving from focusing on leadership behaviours to values driven leadership;
- evolving from focusing on managing teams to building coaching cultures;
- evolving from employee’s satisfaction to employee wellbeing.

Through the afore-mentioned training programs and coaching initiatives, we aim to be promote an organizational culture based on active employee dialogue with regular and consistent feedback.

We are looking to further evolve our coaching and leadership programs through the introduction of iFly (Inspiring the Future Leader in You) comprising of training modules that aim to:

- Develop more effective, motivated and engaged leaders able to better manage teams, build the company culture and lead strategic projects to help drive business growth;
- Deliver strategic recommendations from the workforce on current business challenges.

We actively also participate in various job fairs throughout the country (Bucharest, Iasi, Cluj, Timisoara, Oradea, Sibiu), as well as maintain an active internship program.

Corporate Social Responsibility

We have been actively involved in social-related activities for the last ten years and, on the back of our sustained growth and profitability, we expect to further consolidate our commitment as a socially responsible company. One of our CSR strategic pillars is children’s education, which is complemented through three different initiatives.

"I want to go to high-school" - an education program in partnership with "World Vision Romania" since 2008

The partnership started back in 2008 between World Vision Romania and KFC & Pizza Hut Romania, as part of the World Hunger Relief program, the biggest international private initiative in the sector, launched by Yum! Brands Inc.

The program is a fund-gathering campaign that takes place in all KFC and Pizza Hut Dine-In restaurants in Romania each year in October. The restaurants act like infrastructure for gathering the funds from the customers who are willing to donate any amount of cash without being asked to purchase a product or provide a proof of purchase, with money being collected in dedicated donation boxes. We are actively promoting this campaign through dedicated promotional materials that are displayed in all restaurants under the message "Donate 1 leu, so that children living in villages can continue their education in high-school."

In parallel, our employees in the restaurants and at head office also organize auctions or various internal contests during October to gather funds for the program and, at the end of the campaign, we also contribute a certain amount of money as a corporate donation. At the end of each campaign, the funds raised are transferred directly to World Vision based on a collaboration convention.

The funds are managed entirely by World Vision Romania, which offers each child a RON 250 monthly scholarship that allows him to go to high-school. In the 9 years of the program, the funds raised sum up to 520,000 euro, which benefited over 1,000 children.

Sponsorship program to support children who have lost their biological care takers, in partnership with "SOS Children's Villages Bucharest"

The partnership started in 2015 by 'adopting' a house in SOS Children's Villages Bucharest through a sponsorship program. The mechanism of the campaign implies donating RON 1 from each Hot Bucket product sold in KFC restaurants in Romania, based on a sponsorship contract. As of 2016, KFC "adopted" the second house and reached an annual donation of around EUR 50,000, amount that covers all the necessary expenses of the houses (such as food supplies, clothes, utilities, medical care, and educational activities for children).

"Physics (taught) differently" Initiative, a sponsorship program in partnership with 'Educational Analysis and Evaluation Center' (CEAE)

Through this partnership, initiated in February 2017, KFC supports the initiative of the NGO to help transform the educational system in Romania by replacing the old teaching methods used in schools. The program aims at training the professors to teach Physics in schools through investigation method: discover, understand, think and question.

The project's purpose is to train as many physics teachers as possible in Romania a new method of teaching in order to revitalize children's interest for sciences and their capacity to understand concepts instead of memorizing them, to generate self-confidence and self-esteem.

KFC provided a sponsorship of EUR 9,500 for this program.

In a partnership with "Hospice, House of Hope" since February 2017

Through this sponsorship project, Pizza Hut & Pizza Hut Delivery, support patients with incurable illness, children and adults, through medical care and social support offered at "Hospice House of Hope". The mechanism of the campaign implies donating 1 leu from each medium and large European recipe pizza sold in Pizza Hut and Pizza Hut Delivery restaurants in Romania, based on a sponsorship contract.

Each month, around 2,000 euro is donated to "Hospice House of Hope" as part of the program.

LEGAL PROCEEDINGS

The Group companies are party to various proceedings arising in the ordinary course of business, both as plaintiff and as defendant. During the 12 months preceding Prospectus date, the Group has not been involved in, nor is the Group aware of, any legal, arbitral or administrative proceedings or governmental investigations that could reasonably be expected to have a material adverse effect on the Group's business, financial condition or results of operations.

MANAGEMENT

General

The Company is managed in a one-tier system by the BoD that delegated the management of the Company to the managers. The BoD consists of seven (7) members appointed by the OGSM for a term of four years, with the possibility of re-election for subsequent four year tenures, except for the first members of the BoD who were elected for a term of two years. The Chairman and Vice-Chairman of the BoD are elected from among its members.

The BoD has to carry out all acts that are useful or necessary for the Company to carry out its activities, except for the duties that are allocated by law to the GSM.

Board of Directors

As at the date of this Prospectus, the BoD comprises the following members, appointed for a mandate of 2 years:

Name	Date of birth	Date of appointment	Title
Cristian Osiac	23 October 1968	16 May 2017	Chairman of the BoD
Stylianos Bairaktaris	24 September 1973	16 May 2017	Member of the BoD
Mark Nicholas Hilton	5 December 1964	16 May 2017	Member of the BoD
Silviu Gabriel Cârmaciu	1 January 1980	16 May 2017	Member of the BoD
Ion Marius Nasta	17 May 1967	16 May 2017	Member of the BoD
Elyakim Davidai	20 September 1954	5 October 2017	Vice-Chairman of the BoD
Konstantinos Mitzalis	8 October 1967	5 October 2017	Member of the BoD

Mr. Cristian Osiac, Mr. Stylianos Bairaktaris, Mr. Mark Nicholas Hilton, Mr. Silviu Gabriel Cârmaciu and Mr. Ion Marius Nasta were appointed as BoD members on the date of the Company's incorporation (16 May 2017) and their mandate expires on 16 May 2019. Mr. Elyakim Davidai and Mr. Konstantinos Mitzalis were appointed as BoD members on 5 October 2017 and their mandate will expire on 5 October 2019. The business address for each BoD member is the registered office of the Company.

Cristian Osiac

Cristian Osiac has been a member of the Company's BoD since May 2017 and the Chief Development Officer of the Company since June 2017. He holds a BSc in Electronics and Telecommunications from the Polytechnic University of Bucharest. Cristian Osiac has been with the Group since 1994, in which year he managed the opening of the first Pizza Hut in Romania, as Technical Director. In 1997 he coordinated the opening of the first KFC restaurant in Bucharest, as Development Director and from this position, Mr. Osiac coordinated the main development and technical activities for all the Group's brands. After 2007, Mr. Osiac also held executive positions in other companies operating food or restaurant brands in Romania, such as Paul and Cinnabon bakeries, where he was in charge of development operations. He also actively participated in the development of Hard Rock Café restaurant in Bucharest. Moreover, in 2008, he was appointed as chairman of the board of directors of ARS (Romania) and USFN (Romania). During this time Mr. Osiac actively coordinated and supervised all expansion of the KFC and Pizza Hut brands in Romania, in the Republic of Moldova and, most recently, in Northern and Western Italy, where USFN (Romania) opened two KFC restaurants.

Stylianos Bairaktaris

Stylianos Bairaktaris has been a member of the Company's BoD since May 2017 and was recently appointed as the Company's CFO, having supported the Group since 2012. He holds an MSc in Finance, as well as a BA in Business Administration, both from Strathclyde Business School, Glasgow, Scotland. Up until September 2017, Mr. Bairaktaris was the CEO of Monogram Advisory, an advisory and investment banking boutique focused on a select number of clients across various industry fields including Retail, IT, Fast Moving Consumer Goods, and Energy. Prior to being the CEO of Monogram Advisory, Mr. Bairaktaris held several management positions, including those of CEO of Alpha Finance Romania S.A. (Member of Alpha Bank Group) between 2006 and 2012, and CFO of the shipping company P&A SHIPPING INC between 2005 and 2006. As CEO of Alpha Finance Romania S.A., Mr. Bairaktaris headed the Brokerage, Investment Banking and Strategic Planning operations, managing the divisions of Capital Markets, M&A, Advisory, Research/Strategic Planning (team of 17 employees) and directed operations in the field of brokerage, corporate finance and advisory business in the Romanian market. During his tenure there, Alpha Finance Romania S.A successfully executed two IPO transactions on the Bucharest Stock Exchange, acting as lead manager.

Mark Nicholas Hilton

Mark Nicholas Hilton has been a member of the Company's BoD and its CEO since May 2017. He holds a BSc Honours Degree in Hotel and Catering Management from Oxford Brookes University, England. Mr. Hilton is also a founder, and was a shareholder until September 2017, of a consultancy business boutique, Kikkirossi Sarl, which particularly helps restaurant and hospitality sector companies with franchising, operations, supply chain and general strategy. Between 2013 and 2015, Mr. Hilton worked with Food Concepts Nigeria as an independent non-executive director. Up until June 2017, Mr. Hilton also occupied management positions within companies operating food franchises in Romania, such as Moulin D'Or S.R.L. which operates Paul franchises, and in the subsidiaries of the Company, such as ARS (Romania) and USFN (Romania). Between 1989 and 2011, Mr. Hilton had numerous operational and management positions in various international hotel and food sector companies, such as Hilton Hotel, Pepsico, Sbarro Inc and Yum! Restaurants International, where he had roles as Supply Chain Director, Franchise Executive Director, Franchise Regional Executive Director and Chief Operations Officer for the Franchise Business Unit in Europe.

Silviu Gabriel Cârmaciu

Silviu Cârmaciu has been a non-executive member of the BoD of the Company since May 2017. Mr. Cârmaciu holds a B.A. in Economics, with a specialization in Finance, Banking and Accounting, from "Dimitrie Cantemir" University, Bucharest and also holds an LLM in International Economic Relations from "Alexandru Ioan Cuza" Academy. Mr. Cârmaciu's career started in the Banking industry, at banks specialized in international operations of trade finance between Western and Central Europe and Eastern Europe: respectively Frankfurt Bukarest Bank AG, Anglo Romanian Bank Limited, and Italo Romena Bank SpA. Between 2006 and 2012 he held management positions with responsibilities in various areas such as Loans and Advances, Deposits, Business Development and Customer Relationship Management, Credit Risk Management and Anti Money Laundering. Since 2013, Mr. Cârmaciu has been an Executive Director of MBL (Romania) - Computerland Group Romania, responsible for Financial and Strategic Management. Since mid-2013, Mr. Cârmaciu has acted as counsellor of the General Manager of Griro S.A..

Ion Marius Nasta

Marius Nasta has been a non-executive member of the Company's BoD since May 2017. Mr. Nasta holds an LLM in international law from Queens' College, Cambridge, as well as a B.A. in law and one in philosophy from the Free University of Brussels. He currently serves as the chief executive of Redress Solutions PLC, a leading UK based investor in commercial litigation and arbitration claims. Previously, Mr. Nasta held several senior executive positions at Cendant Corporation, a US conglomerate comprised of AVIS Budget, Travelport, Realogy and Wyndham Worldwide. As Senior Vice President and General Counsel at Cendant Europe and Cendant Asia Pacific, Mr. Nasta set up and ran the legal, compliance and regulatory department and became an expert in running large multi-jurisdictional and complex commercial litigation cases. He also played a significant role in major corporate transactions with a combined value of over USD 4.5 billion aimed at reorganizing and growing Cendant internationally. Mr. Nasta came to Cendant Corporation from Slaughter and May, where he trained and qualified as a Solicitor of the Supreme Court of England and Wales. Mr. Nasta is a supporter of the Law Faculty at Cambridge University, where he has lectured to both graduate and undergraduate students.

Elyakim Davidai

Elyakim Davidai has been an independent member of the Company's BoD and its Vice-Chairman since October 2017. Mr. Elyakim Davidai is a well-respected and successful Israeli businessman who owns and operates businesses in seven countries and three continents in fields such as IT, consumer goods, media, and education. He is the Managing Director of Quadrant Management Inc., a USD 3 billion fund, overseeing the Fund's Pepsi bottling company Quadrant Bottling Company (QAB). Under his leadership, the first operation of QAB was developed in 1992 in Romania as exclusive PepsiCo bottling franchisee. QAB was later sold in July 2006 to PepsiAmericas. Mr. Davidai has a Degree in Industrial Engineering from Technion Institute of Technology, Haifa, Israel and an MBA from the Reccanati Business School of Tel Aviv. Mr. Davidai graduated from the Owner President Management programme from Harvard Business School.

Konstantinos Mitzalis

Konstantinos Mitzalis has been an independent member of the Company's BoD since October 2017. He holds a BBA in International Business from Schiller International University Paris, France. Mr. Mitzalis has over 25 years of experience in the Fast Moving Consumer Goods industry. Since 2009, he has been the CEO of Golden Foods Romania, and between 2007 and 2009 he was the CEO of Golden Foods Ukraine. From 1993 to 2004, Mr. Mitzalis was Chairman and the CEO of Star Foods Romania of which he was also founder. Between 1990 and 2006, Mr. Mitzalis served as a board member of Star Foods Poland and from 1990 up until 2002, he was the CEO of EM Delicatessen GmbH, Germany, a producer and distributor of Gyros - Doner Kebab products. Mr. Mitzalis is a member of the Young Presidents' Organization, a global network of chief executives with approximately 24,000 members in more than 130 countries and since 2010 has been the President of ANOG Athletic Nautical Club of Glyfada for which he was a swimmer for 13 years (1977-1989).

Consultative committees

The BoD established an Audit Committee and a Nomination and Remuneration Committee, both of which will become operational after the admission of the Shares to trading on the BSE.

Each of the Audit Committee and the Nomination and Remuneration Committee comprises three members of the BoD, of which one is elected chairman. All members of the Audit Committee are non-executive BoD members.

At the date of the Prospectus, the appointed members of the Audit Committee are:

- Elyakim Davidai
- Konstantinos Mitzalis
- Silviu Gabriel Cârmaciu.

The Audit Committee assembles in regular meetings at least twice per year to analyse the audit report and/or the financial auditors' opinion on essential matters resulting from the financial audit/review procedures, as well as on the financial reporting process and recommends measures that are required to be undertaken. The Audit Committee holds in special meetings whenever necessary to discuss and provide recommendations on matters related to its duties and responsibilities or when the Company's financial or internal auditor reports material findings to the committee. The Audit Committee meeting is duly assembled if at least 2/3 of the members are present and decisions are adopted with a majority of at least 2/3 of its members.

The Audit Committee has the following main duties and responsibilities: (a) overseeing the activity of the internal and the financial auditors of the Company and the financial reporting process within the Company (including reviewing the external financial auditor's reports) and issues recommendations on those matters to the BoD; (b) overseeing the activity of the internal auditor function of the Company and the effectiveness of and issues recommendations on the internal control, internal audit and risk managements systems within the Company; (c) reviewing for the approval by the BoD the Company's annual individual and/or consolidated financial statements and the proposal for the distribution of profits; (d) recommending to the BoD the appointment and/or dismissal and/or replacement of the external financial auditor and proposes the terms of remuneration thereof; (e) endorsing the financial audit scope and the frequency of audit engagements; (f) checking whether the managers addressed the deficiencies identified in the internal control area; (g) reviewing the conflicts of interest policy of the Company; (h) issuing an opinion on every transaction entered into by the Company with its related parties the value of which is equal to or exceeds 5% of the net assets of the Company (as stated in the latest audited financial statements); (i) save for the mandate contracts which are concluded by the Company with the managers/BoD members, issuing an opinion on every transaction between the Company and its managers/BoD members with a value equal to or exceeding EUR 50,000 (or RON equivalent).

At the date of the Prospectus, the appointed members of the Nomination and Remuneration Committee are:

- Elyakim Davidai
- Konstantinos Mitzalis
- Ion Marius Nasta.

The Nomination and Remuneration Committee holds meetings whenever necessary to discuss and provide recommendations on matters related to its duties and responsibilities. It is duly assembled if at least 2/3 of the members are present and decisions are adopted with a majority of at least 2/3 of its members.

The duties and responsibilities of the Nomination and Remuneration Committee include: (a) reviewing the remuneration policy of the Company; (b) establishing the eligibility criteria for managers appointed under mandate contract; (c) carrying out the selection process of the potential candidates for the BoD member position; (d) preparing succession planning for the managers with a mandate contract.

Managers

At the date of this Prospectus, the individuals holding management positions to whom management of the Company was delegated by the BoD, are presented in the table below. At the date of this Prospectus, all managers fulfil these functions based on mandate contracts. The managers carry out their duties at the registered office of the Company.

Name	Date of birth	Title	Date of Appointment
Mark Nicholas Hilton	5 December 1964	Chief Executive Officer (CEO)	16 May 2017
Stylianos Bairaktaris	24 September 1973	Chief Financial Officer (CFO)	6 October 2017
Cristian Osiac	23 October 1968	Chief Development Officer (CDO)	15 June 2017
Călin Viorel Ionescu	16 July 1969	Chief Operating Officer (COO)	29 August 2017
Oana Monica Eftimie	15 August 1979	Chief Marketing Officer (CMO)	29 August 2017

For the biographies of Mr. Hilton, Mr. Bairaktaris and Mr. Osiac, please see the "*Board of Directors*" section above.

Călin Viorel Ionescu

Călin Ionescu has been Chief Operations Officer (COO) of the Company since August 2017. Mr. Ionescu studied Marketing and Management at the Romanian-American University in Bucharest. Mr. Ionescu has been involved in the restaurant business since 1994 when the first Pizza Hut restaurant operated by ARS (Romania) was opened. He has occupied various operational positions, from Restaurant General Manager to General Manager and, in 2012 Mr. Ionescu was promoted to COO for the Pizza Hut, Pizza Hut Delivery and KFC brands, which were then operated by ARS (Romania) and USFN (Romania). During this time, he has actively participated in all expansions of the KFC and Pizza Hut brands in Romania and the Republic of Moldova and in 2016, he laid the foundations for developing the KFC brand in North East and North-Western Italy. Under Mr. Ionescu's supervision, the KFC and Pizza Hut brands in Romania ranked consistently in the top three countries in terms of Yum!'s operational performance standards. Additionally, Mr. Ionescu coordinates and holds executive and operational positions in other companies operating restaurant brands in Romania, such as Hard Rock Café and Cinnabon bakery.

Oana Monica Eftimie

Oana Monica Eftimie has been Chief Marketing Officer (CMO) of the Company since August 2017. She holds a BS from Northwestern University and an MBA from Georgetown University. Since 2013, Ms. Eftimie has been the chief marketing officer of ARS (Romania) and USFN (Romania), overseeing the marketing operations for the KFC, Pizza Hut, Pizza Hut Delivery brands and developing and implementing national marketing campaigns for these brands. Ms. Eftimie was also chief marketing officer in the company that operates the Paul brand in Romania. With over 10 years of professional experience in the food industry, Ms. Eftimie started her career in marketing with internships at the Accor Group (France) and Saatchi & Saatchi Advertising. She further developed comprehensive marketing campaigns for some of the best-known companies in the food industry, such as McDonald’s.

Key persons

Daniel Paliță

Daniel Paliță is a key person for the Company and since September 2017 has held the position of Manager of Strategic Planning and Investor Relations, based on employment contract. He holds an MSc in International Relations from the Academy of Economic Studies, Bucharest. Between 2012 and September 2017, Mr. Paliță was a Director of Monogram Advisory, an advisory and investment banking boutique focused on a select number of clients across various industry fields including Retail, IT, Fast Moving Consumer Goods, and Energy, including USFN (Romania) and ARS (Romania), which he actively advised on various finance related activities, including management reporting and budgeting. Between 1996 and 2012, Mr. Paliță worked for Alpha Finance Romania

S.A. (member of Alpha Bank Group), where he held several management positions, including Head of Research and later Head of Corporate Finance, and was involved in all IPO transactions undertaken by Alpha Finance Romania S.A. on the BSE. From 2009 until 2012, he was also one of the two authorized Managers of Alpha Finance Romania S.A..

Experience outside the Group

In addition to their roles in the Company, the BoD members, managers and key persons of the Company hold, or have held in the past five years, the following management or supervisory positions that are relevant to their roles in the Company:

Name	Name of the entity	Title	Period	Still in office: Yes (Y)/No (N)
Mark Hilton	Food Concepts Plc, Nigeria	Independent board member	2013 - 2015	N
	Kikkirossi Sarl, Switzerland	Owner/founder	2010 - September 2017	N
Cristian Osiac	US Food Network S.A.	Development director	1997 - June 2017	N
		Board chairman	2008 - June 2017	N
	American Restaurant System S.A.	Development director	1996 - June 2017	N
		Board chairman	2008 - June 2017	N
	Cinnamon Bake and Roll S.R.L.	Board member	2009 - 2013	N
Monica Eftimie	US Food Network S.A.	Marketing director	2012 - September 2017	N
	American Restaurant System S.A.	Marketing director	2013 - September 2017	N
	Moulin D'or S.R.L.	Marketing director	2013 - September 2017	N
Călin Ionescu	American Restaurant System S.A.	Chief operations officer	2012 - August 2017	N
	US Food Network S.A.	General manager	2009 - 2012	N
		Chief operations officer and board member	2012 - June 2017	N
	Cinnamon Bake and Roll S.R.L.	Board member	2009 - ongoing	Y
	Midi Developments S.R.L.	Board member	2011 - ongoing	Y
	US Food Network Srl, Italy	Sole director	2016 - ongoing	Y
Elyakim Davidai	Quadrant Management Inc., USA	Managing director	2013 - ongoing	Y
Stylianos Bairaktaris	Monogram Advisory S.R.L.	Managing director, founder/shareholder	2012 - September 2017	N
Daniel Paliţă	Monogram Advisory S.R.L.	Director	2012 - September 2017	N
Silviu Cârmaciu	M.B.L. Computers S.R.L.	Executive manager	2013 - ongoing	Y
	Griro S.A.	Counsellor to general manager	2013 - ongoing	Y

Remuneration

The total amount paid by USFN (Romania) to the Company's current BoD members and managers for any functions held or services rendered, directly or indirectly to USFN (Romania), including any benefits, during 2016 year amounted to RON 4.99 million.

The total amount paid by ARS (Romania) to the Company's current BoD members and managers for any functions held or services rendered, directly or indirectly to ARS (Romania), including any benefits, during 2016 year amounted to RON 1.94 million.

During 2016 year, the Company's current BoD members and managers were paid by USFN (Romania) and ARS (Romania) for positions held in and/or for other activities or services rendered to USFN (Romania) and ARS (Romania), such as consultancy services.

In line with the Company's Remuneration Policy and based on the contracts entered into between the Company and the managers to whom the management of the Company was delegated, if the mandate of any such manager is terminated early and without cause, the respective manager is entitled to a severance compensation not exceeding the non-variable component of his or her remuneration for two years. For more details on the Remuneration Policy of the Company, please see section "*Corporate Governance Statement*" below.

Furthermore, the Company intends to set up an equity-based incentive plan for the managers and, after the admission of the Shares on the BSE, the shareholders might approve a Shares buy-back programme on the BSE to fulfil the purpose of the plan.

Ownership in Shares and Options

At the date of this Prospectus, none of the members of the BoD, the managers, or the key persons of the Company hold any Shares. At the date of this Prospectus, the Company has not issued any stock options.

Conduct

Each member of the BoD, each manager and key person of the Company represents that on and as at 16 October 2017, he/she:

(i) has not been and is not convicted of fraud during the last five years preceding the date of the Prospectus;

(ii) acting as a member of the administrative, management or supervisory bodies or as manager or founder of a company or a partnership, has not been associated with any bankruptcy, sequestration or liquidation procedure over the last five years preceding the date of the Prospectus;

(iii) has not been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including by designated professional bodies) and was not prohibited by the court to act as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct the affairs of any issuer during the last 5 years prior to the date of the Prospectus;

(iv) does not carry out activities outside the Company which are material to the Company, other than those presented in section "*Experience outside the Group*" above;

(v) has not been elected as member of the administrative, management or supervisory body, or manager within the Company, based on an understanding or agreement with the Company's major shareholders, customers, suppliers or others;

(vi) has not entered into any contract with the Company or with its subsidiaries that provide for benefits upon termination of the contract, other than those provided in section "*Remuneration*" above;

(vii) does not hold shares in the share capital of the Company, and therefore there is no restriction on the assignment, within a certain period of time, of the shares owned in the Company;

(viii) there is no family relationship between any of them and other members of the administrative, management, supervisory bodies of the Company or the Company's managers or founders;

(ix) With the following further exceptions:

- Mr. Silviu Cârmaciu was manager and founder of Performance Financial Services S.R.L. (carrying out activities auxiliary to financial intermediation), holding, directly and indirectly, 100% of the share capital, when the company underwent voluntary liquidation in September 2015, at his request;
- Mr. Silviu Cârmaciu is an executive manager in MBL (Romania), which may potentially create conflicts of interest. In case a conflict of interest situation occurs, Mr. Cârmaciu will act in compliance with the applicable law, abstaining from deliberations and voting or taking part in the decision making process for the conflicting matter and will disclose such conflict accordingly;
- Mr. Călin Ionescu is a board member in Cinnamon Bake & Rolls S.R.L., and in Midi Developments S.R.L. and is also the sole director of USFN (Italy) (affiliates of the Company), which may potentially create conflicts of interest. In case a conflict of interest situation occurs, Mr. Ionescu will act in compliance with the applicable law, abstaining from deliberations and voting or taking part in the decision making process for the conflicting matter and will disclose such conflict accordingly.

Conflict of interests

Except as provided above, there is no actual conflict of interest between the obligations of members of the BoD, the managers and the key persons of the Company and their private interests or other obligations thereof.

The BoD approved a Conflict of Interest Policy on 25 September 2017, which will become applicable on the first date of trading of the Shares on the BSE. Members of the BoD and the managers of the Company are required to immediately disclose any personal interests they may have in transactions with the Company, as well as all other conflicts of interest. All business transactions between the Company and members of the BoD or between the Company and its managers and with persons or companies located in close relations with them are entered into at arms' length in compliance with applicable laws and regulations.

Liability insurance policies

Currently, the Company has in place liability insurance policies/contracts for members of the BoD and for the managers.

Corporate Governance Statement

At the date of this Prospectus, the Shares are not admitted to trading on a regulated market. Thus, the Company is required to comply with the corporate governance regime established mainly by the Companies Law. The Company and its corporate bodies comply with the corporate governance regime established by the Companies Law. After the admission of Shares to the spot regulated market operated by the BSE, the Company will be required to comply with a more extensive framework of corporate governance rules, among which is the BSE Corporate Governance Code (applicable to all listed issuers as of 4 January 2016). According to the BSE Corporate Governance Code, issuers must include a corporate governance statement in a dedicated section of the annual report, which contains a self-assessment on how the "provisions to comply with" are observed. Such section must also specify the measures taken to comply with the provisions of the code that are not fully complied with. Any change that may arise concerning the corporate governance statement must be notified to the market by an ad hoc report.

Furthermore, to ensure compliance with the Corporate Governance Code at a very early stage, the Company has approved by way of the EGSM resolution of 15 September 2017 the Dividend Policy, the Forecast Policy, the Remuneration Policy and the GSM Procedure, which will enter into force on the date of admission of Shares to trading on the BSE. For the Company's Dividend Policy, please see Chapter "*Dividend Policy*" of this Prospectus. The GSM Procedure sets out the framework for the convening and the carrying out of the GSMs, in compliance with the applicable law and the corporate governance standards. The Company has also set up an Audit Committee and a Nomination and Remuneration Committee.

According to the Remuneration Policy, the BoD has the following responsibilities with respect to remuneration: (i) approves the Remuneration Policy, as endorsed by the shareholders prior to the admission of Shares to trading on the BSE and reviews it, if necessary, to ensure its consistency with the corporate governance considerations and legal requirements; (ii) approves any additional remuneration for the members of the consultative committees; and (iii) approves the remuneration for managers. The principles based on which the remuneration package is decided includes: market competitiveness and best practices, long-term sustainability, remuneration based on performance that is linked to responsibilities, motivation and rewarding. The remuneration for the BoD is approved for an entire mandate by the OGSM that approves also the general limits for any additional remuneration, if applicable. The remuneration of the BoD members consists of a fixed monthly remuneration plus an additional remuneration, in case of BoD members who are also members in the consultative committees. The remuneration of the managers comprises a fixed monthly remuneration, the amount of which depends on the services rendered and the responsibility of the position as decided by the BoD. The managers are entitled to receive performance bonuses (either cash bonuses or stock bonuses) determined in direct correlation with the Company's performance and/or liquidity events. Award of the variable component of remuneration (such as performance bonuses) will be subject to predetermined performance criteria, which may include both financial and non-financial criteria that are relevant to the Company's value creation.

The Forecast Policy sets out that the Company will not provide to the public any financial forecast other than the mandatory financial forecasts required under the applicable law such as the revenues and expenses budget (the "**Annual Budget**") and the business plan approved by the shareholders in the GSM.

PRINCIPAL SHAREHOLDERS

The table below sets forth certain information regarding the ownership of the Shares prior to the Offering, and the ownership of the Shares by the current shareholders immediately following the Offering, assuming all Shares are sold in the Offering, the other shareholders do not buy any Shares in the Offering, and that the Stabilisation Proceeds are not used by the Stabilising Manager(s) to buy any Shares in the market:

Shareholder	**Shares owned before the Offering**		**Shares owned after the Offering** (provided the maximum number of Offered Shares are sold)	
	(Number)	%	(Number)	%
Tatika Investments Ltd.	10,603,860	27.33	10,603,860	27.33
Wellkept Group S.A.	6,339,812	16.34	6,339,812	16.34
Lunic Franchising and Consulting Ltd.	8,667,773	22.34	0	0.00
Anasa Properties S.R.L.	4,264,047	10.99	4,264,047	10.99
M.B.L. Computers S.R.L.	8,923,848	23.00	7,759,868	20.00
Total	**38,799,340**	**100.00**	**28,967,587**	**74.66**

According to the Issuers and Markets Operations Law, if following the acquisition or sale of or other operations in Shares, the proportion of voting rights held by a person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 33%, 50% or 75% of the total voting rights, that person must notify the Company of the proportion of the voting rights held, promptly, but not later than 4 trading days starting on the day on which that person (i) finds about the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regard to the circumstances, should have found about it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect or (ii) is informed with respect to an event that changes the breakdown of voting rights. The reporting requirements described above will apply after the admission of Shares to trading on the BSE.

Neither the AoAs nor any other by-laws of the Company provide for any other obligation to disclose ownership of shares above a certain threshold.

The shares issued by Company grant equal voting rights to all shareholders of the Company.

None of the shareholders listed above exercises control or common control over the Company.

To the best of the Company’s knowledge, there is no agreement or understanding that may result in future changes in the control of the Company.

Founders

The ultimate beneficial owners of all Shares currently issued by the Company are: Mr. Radu Dimofte (holding a 43.67% indirect stake in the Company), Mr. Lucian Vlad (holding a 33.33% indirect stake in the Company) and Mr. Nicolae Badea (holding a 23.00% indirect stake in the Company). The three shareholders have been part of the founding shareholders that have developed KFC and Pizza Hut franchised restaurants in Romania.

DESCRIPTION OF SHARE CAPITAL AND CORPORATE STRUCTURE

General

The Company was incorporated on 16 May 2017 and is organised and operating as a joint stock company under the laws of Romania, is registered with the Trade Registry Office in Bucharest under number J40/7126/2017 and was assigned the sole registration code 37586457. The legal and commercial name of the Company is Sphera Franchise Group S.A.. The Company's registered seat is located at 239 Calea Dorobanti street, 2nd floor, office 4, district 1, Romania. The telephone number at the Company's registered office is +40 (21) 201 1757. The Company was established for an indefinite period and operates under the laws of Romania.

The Company conducts its business in accordance with its AoAs, and *inter alia* with the Companies Law.

On 15 September 2017 and further on 5 October 2017, the Company's EGSMs updated the AoAs to implement *inter alia* the corporate governance requirements appropriate for a company the shares of which are admitted to trading on a spot regulated market. Certain changes will apply starting with the first trading day of the Shares on the spot regulated market operated by BSE, such as:

- The shareholders' registry will be kept by the Romanian CSD (Article 6.1. of the AoAs). Currently, the shareholders registry is kept by the BoD;
- The transfer of Shares will be effected through the trading system of BSE, the transactions being cleared and settled by the Romanian CSD or through direct transfer in the shareholders' registry kept with the Romanian CSD (Article 7.1. of the AoAs). Currently, the transfer of shares is effected by making the relevant annotations in the shareholders registry of the Company;
- Approval by the EGSM of the main terms and conditions of the following acts, before their implementation by the BoD:
  a) acquisition, disposal, lease, exchange or encumbrance of the Company's assets, the book value of which exceeds on the date when such legal act is concluded 20% of the book value of the Company's assets, as recorded in the latest annual financial statements of the Company (Article 9.3 letter l) of the AoAs);
  b) acquisition, disposal, exchange or encumbrance of the Company's fixed assets, the book value of which exceeds, during one financial exercise, individually or cumulatively, 20% of the total fixed assets less receivables, as recorded in the latest audited financial statements of the Company (Article 9.3 letter n) of the AoAs);
  c) any lease of tangible assets, for a period exceeding one year, the book value of which exceeds, individually or cumulatively, in respect of the same co-contractor or persons involved or persons acting in concert therewith, 20% of the total fixed assets of the Company, less receivables as set out in the latest audited financial statements of the Company (Article 9.3 letter n^1 of the AoAs);
  d) any association for a period exceeding one year, which involves amounts that exceed, individually or cumulatively, 20% of the total fixed assets of the Company, less receivables as set out in the latest audited financial statements of the Company(Article 9.3 letter n^2 of the AoAs);
- New general minimum quorum and majority requirements for the Company's GSMs (Article 13.1 of the AoAs):
  a) OGSM first convening: quorum - at least 70% of the total number of votes, majority - at least 2/3 of the total votes held by the shareholders present, represented and voting by correspondence;
  b) OGSM second convening: quorum – no minimum, majority – at least 50% plus 1 vote of the votes expressed by the shareholders present, represented and voting by correspondence;
  c) EGSM first convening: quorum – at least 70% of the total number of voting rights, majority - at least 2/3 of the total votes held by the shareholders present, represented and voting by correspondence;
  d) EGSM second convening: quorum - at least 70% of the total number of voting rights, majority - at least 2/3 of the total votes held by the shareholders present, represented and voting by correspondence;
- New special minimum quorum and majority requirements for the Company's GSMs (Article 13.2 of the AoAs):
  a) In case of limitation or suspension of the Company's shareholders' preference rights in the context of a share capital increase - a quorum of at least 85% of the subscribed share capital and a majority of at least 75% of the total voting rights;

b) In case of share capital increase by increasing the nominal value of the shares, other than by incorporating reserves, benefits or premiums - unanimity.

The special quorum or majority requirements set out above apply only as long as they are required by applicable law (Article 13.3 of the AoAs).

- Where there are voting rights the exercise of which is suspended, the voting rights in question shall not be taken into account when determining the quorum/majority or the basis of calculation, respectively all the voting rights (Article 13.4 of the AoAs).

Corporate purpose and core business

According to article 2 of the AoAs, the Company's main area of business and main object of activity consists in "Activities of centralised administrative offices and of (central) departments", as classified under the National Classification of Economic Activities ("**NCEA**") (NCEA code 701/7010).

The Company carries out a series of secondary and ancillary business objects, including a variety of activities listed in article 3 of the AoAs.

Share Capital

Subscribed and paid up share capital

Company's share capital is fully subscribed and paid and amounts to RON 581,990,100, of which RON 1,500,000 are cash contributions (in amount of RON 1,090,050, paid in RON and in amount of RON 409,950, paid in EUR, at the EUR/RON exchange rate of RON 4.5468/EUR), and RON 580,490,100 are in kind contribution. The in-kind contribution comprises 379,999 shares in USFN (Romania) and 379,999 shares in ARS (Romania).

The Company's share capital is divided into 38,799,340 nominative, fully paid, ordinary Shares, each having a nominal value of RON 15, issued in dematerialized form by registration in Company's shareholders registry. The Shares are freely transferable starting with the first trading day thereof on the spot regulated market operated by BSE, subject to the rules of the regulated spot market of the BSE, and of the Romanian CSD. There are no shares issued that do not represent share capital of the Company. The Company issued only one class of shares: ordinary. There are no shares in the Company held by the Company itself or by its subsidiaries. The Company did not issue convertible or exchangeable securities or securities with warrants attached.

According to the excerpt from the Company's shareholders registry and to the excerpt from the Bucharest trade registry dated 16 October 2017, the Company's shareholding structure as at 16 October 2017 was the following:

Shareholder	Number of shares	% of voting rights
Tatika Investments Ltd.	10,603,860	27.33
Wellkept Group S.A.	6,339,812	16.34
Lunic Franchising and Consulting Ltd.	8,667,773	22.34
Anasa Properties S.R.L.	4,264,047	10.99
M.B.L. Computers S.R.L.	8,923,848	23.00
Total	**38,799,340**	**100.00**

On 30 June 2017, the date of the most recent balance sheet included in Sphera Interim Financial Statements, as well as on the date of this Prospectus, the share capital structure of the Company was:

Number of authorized shares	0 shares
Nominal value per share	RON 15
Subscribed and paid in share capital	RON 581,990,100
Subscribed and not paid in share capital	RON 0
Own shares	0 shares
Shares held by Company's subsidiaries	0 shares
Total number of shares	38,799,340 shares

The share capital of the Company is expected to be the same upon the admission of the Shares to trading on the spot regulated market operated by the BSE.

After admission of the Shares to trading on the spot regulated market operated by the BSE, the shareholders' registry will be kept by the Romanian CSD (*Depozitarul Central S.A.*), with registered seat at 34/36 Carol I bd., floors 3, 8 and 9, district 2, postal code 020922, Bucharest, Romania.

Authorised share capital

Currently, the Company's share capital is fully subscribed and paid, with no authorized share capital issue. To the best of its knowledge, the Company is not aware of any acquisition rights and/or obligations related to the unissued capital of the Company.

History of the share capital

Upon incorporation on 16 May 2017, the Company's share capital was RON 1,500,000. By way of resolution no. 2 of 30 May 2017, the EGSM of the Company decided to increase the share capital from RON 1,500,000 to RON 581,990,100. The share capital increase was carried out by the current shareholders of the Company contributing in aggregate a number of 379,999 shares in USFN (Romania) and a number of 379,999 shares in ARS (Romania). The share capital increase was registered with the trade registry on 8 June 2017.

Rights, preferences and restrictions attaching to existing shares

According to the AoAs, each Share subscribed and fully paid by the shareholders grants equal rights to its holder, including right to one vote in the GSM, right to elect and be elected for the administrative and management bodies of the Company, right to dividend distribution and other rights. Holding a share issued by the Company certifies the holder’s adherence to the AoAs.

Treasury shares held by the Company, if any, do not grant voting or dividend rights.

According to the Companies Law, every shareholder must exercise its rights in good faith, observing the rights and legitimate interests of the Company and of the other shareholders. Such rights are, essentially, related to the shareholders’ involvement in the corporate development of the Company, by attending and casting votes in the GSMs, exercising the right to elect and be elected in the Company’s administrative and management bodies and taking part in the profit distribution.

According to the Company's AoAs, any share assignment made, irrespective of its form, by any shareholder of the Company is affected by a first-degree pre-emption right in favour of the Company's shareholders and by a second degree pre-emption right in favour of the Company. These provisions instituting a pre-emption right for the transfer of shares will be eliminated starting with the first trading day of the Shares on the spot regulated market operated by BSE, as described above, under section "*General*" of this chapter, when the Shares will become freely transferable.

Certain rights will become applicable to the shareholders only after admission of the Shares to trading on the BSE, in accordance with the Issuers and Markets Operations Law and its implementing regulations.

Pre-emptive right

According to the AoAs and to the capital markets regulations, the newly issued shares in relation to a share capital increase by contribution in cash, must be offered pre-emptively to the existing shareholders of the Company registered in the shareholders registry on the record date.

According to the regulations implementing the Issuers and Markets Operations Law, after the admission of Shares to trading on the spot regulated market operated by the BSE, the pre-emptive right may be exercised within a minimum period of one month, as set out in the proportionate disclosure document. The beginning of the period shall be set subsequent to the record date and to the date of publication of the EGSM resolution/BoD resolution approving the share capital increase in the Official Gazette of Romania.

The suspension or cancellation of the pre-emptive right to subscribe in the new shares may be effected, provided that it is approved by the EGSM with a minimum quorum of 85% of the subscribed share capital and by a majority of at least ¾ of the voting rights.

Rights related to GSMs

The shareholders’ fundamental rights include the right to attend the GSM and the right to vote. See "*General Shareholders Meeting*" below.

In addition to the provisions of the AoAs and the Companies Law, the provisions of the FSA Regulation no. 6/2009 on the exercise of certain shareholders' rights at the GSMs set out the following rights:

- the right of one or more shareholders holding severally or jointly at least 5% of the share capital: (i) to add items to the agenda of the GSM, if each added item is accompanied by a justification or a draft resolution proposed to the GSM for adoption and (ii) to present draft resolutions for the items added or proposed to be added to the agenda of the GSM. These rights may be exercised only in writing and within 15 days from the publication of the convening notice for the GSM in the Official Gazette of Romania. If exercise of the right referred to in point (i) above requires a change to the agenda already published, the Company must re-publish the convening notice with the updated agenda, using the same procedure as the one used for the previous agenda, before the reference date set out by the BoD and no later than 10 days before the date of the GSM;
- the right of all shareholders to equal treatment as concerns attendance and exercise of voting rights in the GSM;
- the right of all shareholders to have access to adequate information and documents with respect to items to be discussed at the GSM, to enable them to exercise their rights at the GSM;
- the right of all shareholders to fast and non-discriminatory access to the convening notice of the GSM;
- the right of each shareholder to ask questions regarding the items on the agenda of the GSM and to receive answers from the Company;
- the right to attend the GSM, directly or indirectly, including by electronic means, by correspondence or by proxy.

Right to information

According to the AoAs, the Company makes available materials with respect to each item on the agenda of the GSM at least 30 days before the meeting, at the Company's registered office and by publication on its website. If the agenda of the OGSM includes the proposal to appoint BoD members, the Company must provide the shareholders with information concerning the name, address and qualifications of candidates for the BoD member office and the shareholders will supplement such list no later than 15 days before the first convening of the meeting. When the agenda of the GSM includes proposals to amend the AoAs, the convening notice shall contain the full text of such proposals.

In addition, at least 30 days before each GSM, shareholders of companies listed on a regulated market are entitled to receive a number of documents and information, in Romanian and in English languages, to facilitate their exercise of rights in the meeting, such as: the convening notice, special proxy forms for participation by representation and the form of voting ballots by correspondence, the total number of voting rights, draft resolutions for each item on the agenda. In case of the OGSM, the BoD must provide to the shareholders the annual financial statements, the annual report of the BoD, the financial auditor's report and the proposed distribution of dividends at least 30 days prior to the meeting.

The Company must use mass media to provide information that reasonably endures effective dissemination to the public throughout the European Union after the Shares are admitted to trading on the regulated market of the BSE.

Right to dividends

Dividends, provided the dividend distribution is approved by the OGSM, are distributed to the shareholders registered in the shareholders registry of the Company on the record date, proportionally to the number of shares held in the Company. Dividends may be distributed only if the Company registers profit, as recorded in the annual financial statements approved by the OGSM and if the OGSM decides to distribute dividends. For more details on the right to dividends, please see chapter "*Dividend policy*" in this Prospectus.

Right derived from liquidation

In case of the Company's liquidation, all its assets remaining after payment of all debts shall be distributed to the shareholders based on their participation to the share capital.

Other rights of the shareholders

Other shareholders' rights are set out in Companies Law and in the capital markets legal framework only in favour of shareholders holding a minimum proportion of the Company's share capital, such as:

- right of shareholder(s) holding individually or jointly at least 5% in the Company's total voting rights to require the financial auditors to investigate allegations concerning the Company’s management and to prepare reports, based on the information provided by the BoD;
- right of shareholder(s) holding individually or jointly at least 5% in the Company's share capital to ask for the convening of a GSM;
- right of shareholder(s) holding individually or jointly at least 10% in the Company's share capital to request the court to appoint one or more experts to review the management operations and prepare a written report in this respect;
- if the GSM does not resolve to commence a court action seeking to engage the liability of the founders, members of the BoD, managers or of the internal or financial auditors of the Company for damages caused to the Company as a result of any of them acting in breach of their duties towards the Company, the right of the shareholder(s) holding, individually or jointly, at least 5% in the Company's share capital to take legal action in this respect;
- right of a significant shareholder to request the appointment of BoD members by cumulative voting. If the cumulative voting is not used in the GSM, that shareholder has the right to ask the court to immediately convene the GSM. Under the Issuers and Markets Operations Law, a "significant shareholder" is a person, or a group of persons acting in concert, holding directly or indirectly a participation of at least 10% of the company's share capital or voting rights.
- right of shareholder(s) holding individually or jointly at least 5% in the Company's share capital to ask once in a financial year the convening of a GSM having on the agenda the election of the BoD members by cumulative voting.

Withdrawal right

According to the Companies Law, shareholders that do not vote in favour of certain corporate actions in a GSM have the right to withdraw from the Company and to request the Company to buy their shares. Such corporate actions refer to: (i) change in the Company’s main object of activity as set out in the AoAs; (ii) relocation of the Company’s registered seat to another country; (iii) change of the Company’s legal form; or (iv) merger or spin-off/split up of the Company.

Right to challenge the GSM resolutions

The GSM resolutions that are contrary to the law or the AoAs may be challenged for annulment in court, within 15 days of their publication in the Official Gazette of Romania, Part IV, by any shareholder who did not attend the meeting or who voted against and requested its vote to be noted it the minutes of the meeting. When claiming absolute nullity of the GSM resolution, the court motion may be filed by any interested person at any time, with no statute of limitation.

Obligation to refrain from deliberations

The shareholder that, in a certain operation, has an interest contrary to that of the Company must refrain from deliberations. The shareholder who fails to observe this legal requirement may be held liable for damages caused to the Company if without the vote of that shareholder the required majority for the adoption of the respective resolution would have not been met. Voting in conflict of interest is also a criminal offence.

Obligation to notify major shareholdings

According to the Issuers and Markets Operations Law, if following the acquisition or sale of or other operations in Shares, the proportion of voting rights held by a person reaches, exceeds or falls below one of the thresholds of 5%, 10%, 15%, 20%, 25%, 33%, 50% or 75% of the total voting rights, that person must notify, the Company of the proportion of the voting rights held, promptly, but not later than 4 trading days starting on the day on which (i) it finds about the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regard to the circumstances, should have found out about it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect or (ii) it is informed with respect to an event that changes the breakdown of voting rights. Neither the AoAs nor any other by-laws of the Company provide any other obligation to disclose ownership of shares above a certain threshold.

Obligation to launch a mandatory takeover bid

According to the Issuers and Markets Operations Law, where a person, as a result of its direct acquisitions or acquisitions by persons acting in concert therewith, holds securities in a listed company, which added to the previous holdings of that person or of the persons acting in concert therewith, grant to that person, directly or indirectly, more than 33% of the voting rights in a company, the respective person is required to launch a mandatory takeover bid addressed to all security holders for all their holdings at a fair price as soon as possible, but no later than two months after this threshold is reached.

Prior to launching the mandatory takeover bid, the voting rights attached to securities exceeding 33% of the total voting rights in the company are suspended and the respective person together with the persons acting in concert therewith are prohibited from acquiring, by any other operations, shares in the company.

The obligation to launch a mandatory takeover bid does not apply to persons that have acquired the respective holdings: (i) as a result of an excepted transaction or (ii) unintentionally.

An excepted transaction is the acquisition of securities that lead to the respective holding position:

- within the privatisation process;
- by acquisition of shares from the Ministry of Public Finance or from other legally authorised entities, within the process of enforcement of budgetary claims;
- as a result of transfer of shares between a parent company and its subsidiaries or between subsidiaries of the same parent company;
- resulting from a voluntary takeover bid addressed to all holders of the respective securities for all their holdings.

Unintentional attainment of the 33% threshold results from operations such as:

- share capital reduction, as a result of a share buy-back followed by cancellation of the acquired shares;
- exercise of the pre-emption, subscription or conversion rights in relation to certain rights initially conferred, or as a result of conversion of the preferential shares into ordinary shares;
- merger/spin-off or inheritance.

Furthermore, following a bid made to all the holders of the offeree company's securities for all of their securities, the offeror is entitled to require all the holders of the remaining securities to sell him/her those securities at a fair price in one of the following situations:

- where the offeror holds securities representing not less than 95% of the total number of shares carrying voting rights and not less than 95% of the voting rights in the offeree company that are effectively exercisable; or
- where, following acceptance of the bid, he/she has acquired securities representing not less than 90% of the offeree company's shares carrying voting rights and not less than 90% of the voting rights comprised in the bid.

The squeeze-out right of the offeror described above corresponds to the right of the other shareholders of the offeree company to sell out, by requiring the respective offeror to acquire their shares. If any of the remaining shareholders exercises this right, the offeror is under the obligation to buy the shares held by the selling shareholders.

The squeeze-out and the sell-out rights may be exercised within three months from the closing date of the bid.

Rules regarding changes in the share capital of the Company

According to the Company's AoAs, the EGSM has the power to decide to increase and reduce the share capital. The share capital increase may be effected: (i) in exchange of contributions in cash or in kind from shareholders; and/or (ii) by incorporating profits, premiums and reserves, except for legal reserves; and/or (iii) by offsetting certain and outstanding receivables of the shareholders against the Company, due on the date when the resolution on capital increase is passed. The GSM determines the number of new shares to be issued and the amount of the increase. BoD may be authorized by the Company's EGSM to determine the other elements of the increase, such as: the issue price and the offer period. The BoD also approves the documentation prepared for the implementation of the share capital increase.

The Company’s EGSM or the AoAs may authorise the BoD to increase the share capital up to a maximum limit. The authorisation is granted for a period of up to three years and may be renewed for further periods of up to three years for each renewal.

The share capital may be reduced by: (i) decreasing the number of shares; (ii) reducing the nominal value of each share; or (iii) acquisition of own shares followed by cancellation thereof. Where not justified by losses, the reduction of the share capital may also be effected by: (i) total or partial write-off of contributions due by the shareholders; (ii) restitution to shareholders of a part of their contribution, pro rata to the share capital reduction and calculated equally for each share; or (iii) other methods permitted by law.

The share capital may be effectively reduced only upon expiry of a two-month period as of the publication of the GSM resolution approving the share capital reduction in the Official Gazette of Romania, Part IV.

According to the Companies Law, the share capital increase and the share capital reduction must be resolved upon by a majority of at least two-thirds of the voting rights held by the shareholders who are present or represented in the GSM duly assembled with a minimum quorum of at least one-fourth of the total number of voting rights in the first convocation or a minimum quorum of one-fifth of the total number of voting rights in subsequent convocations.

However, the AoAs impose GSM quorum and majority requirements higher than those set by law for share capital increase or reduction: a minimum quorum of 75% of the total voting rights is necessary for the first convocation and of 60% of the total voting rights is necessary for the second convocation. The resolution on share capital reduction or increase is adopted with a minimum majority of 75% of the voting rights of the shareholders present, represented or voting by correspondence in the GSM. These quorum and majorities requirements will be modified starting with the first trading day of the Shares on the spot regulated market operated by BSE, as described above, under section *General* of this chapter.

The AoAs contain no provisions that would lead to delaying, deferring or preventing a change in the control of the Company.

Corporate bodies

General Shareholders Meeting

Whenever necessary, the BoD convenes a GSM. The convening notice is published in the Official Gazette of Romania, Part IV, and in a newspaper of general circulation at least 30 days before the date of the meeting.

The shareholders generally hold the Company’s GSM at the registered seat of the Company, unless the members of the BoD decide otherwise, in which case the convening notice must expressly indicate the address of the location where the meeting will be held.

According to the AoAs, the OGSM resolves upon the following matters related to the Company:

- approves or amends the Company's annual standalone and consolidated financial statements, based on the reports presented by the BoD and by the financial auditor;
- approves distribution of profits as dividends;
- appoints and revokes the BoD members;
- appoints and revokes the financial auditor and sets the minimum term of the financial audit contract;
- decides on the remuneration of the BoD members for the current financial year;
- releases the BoD members from their management responsibility for the activity performed in the previous financial year;
- approves the income and expenditure budget and, if applicable, the business plan for the next financial year;
- initiates court claims for damages against the BoD members, the managers and the financial auditor and appoints the person authorized to represent the Company before the competent courts.

The minimum quorum for the first convocation of the OGSM is 50% of the total voting rights and the resolutions are adopted with a minimum majority of 50% of the voting rights plus one vote expressed by the shareholders presented, represented or voting by correspondence. These quorum and majority requirements will be modified starting with the first trading day of the Shares on the spot regulated market operated by BSE, as described above, under section *General* of this chapter. There is no minimum quorum for the second convocation of the OGSM.

The EGSM resolves on the following matters related to the Company:

- changes in the legal form;
- changes in main activity;
- relocation of the registered seat abroad;
- increase and reduction of the share capital;
- merger, spin off or split up, except in case these types of operation do not require the approval of the GSM;
- liquidation and dissolution;
- issuance of bonds and conversion of a bond category to another category or into shares;
- conversion of shares from one category to another;
- direct or indirect acquisition of own shares, except where such operation results from another corporate action, such as acquisition by the Company of shares offered by the shareholders exercising their right to withdraw from the Company;
- admission of shares issued by the Company to trading on a regulated market, on an alternative trading system, on a multilateral trading facility or on any other organised trading system;
- prior approval of the main terms and conditions of the legal deeds entered into by the BoD on behalf of the Company related to the association, acquisition, disposal, lease, exchange of or creation of a security interest over the Company's assets, the individual value of which exceeds the amount of RON 20 million. This item will be modified starting with the first trading day of the Shares on the spot regulated market operated by BSE, as described above, under section *General* of this chapter;
- any acquisition or disposal of assets by or to the Company effected by any BoD member(s) on his/her own account, if the individual value of such legal deed exceeds the amount of RON 4 million;
- loan agreements and/or commercial credits, including external loans/credits, setting the powers, the contracting limits of the credits/loans and the means of providing security interests/guarantees. This item will be modified starting with the first trading day of the Shares on the spot regulated market operated by BSE, as described above, under section *General* of this chapter;
- any other matters included in the agenda of the meeting on which EGSM is competent to adopt resolutions; and
- any amendments to the AoAs, including the adoption of new AoAs, except where amendments can be decided by the BoD.

The minimum quorum for the first convocation of the EGSM is 75% of the total voting rights and the resolutions are adopted in the first or second convening with a minimum majority of 75% of the voting rights held by the shareholders that are present, represented or who vote by correspondence in the meeting. The minimum quorum requirement for the second convening is of 60% of the total voting rights. These quorum and majorities will be modified starting with the first trading day of the Shares on the spot regulated market operated by BSE, as described above under section *General* of this chapter;

The AoAs provide for special quorum and majority requirements for the GSM when resolving on the following matters:

- limitation or suspension of the pre-emptive right of the shareholders to subscribe in newly issued shares as a result of the share capital increase or share capital increase by in kind contribution:
  - ✓ minimum quorum of 85% of the subscribed share capital and a minimum majority of ¾ of the total voting rights;
- change in the main business object, increase or reduction of the share capital, change in the legal form, merger, spin off, dissolution
  - ✓ minimum majority of 2/3 of the total voting rights of the shareholders present, represented or voting by correspondence;
- increase of share capital by increasing the nominal value of shares, other than by incorporating reserves, benefits or premiums:
  - ✓ unanimity;
- change in the number of shares or in the nominal value of each share, other than as set out above:

- ✓ minimum majority of 75% of the total voting rights;
- increase or reduction of the share capital by issuance/annulment of shares:
  - ✓ minimum majority of 75% of the total voting rights;
- any changes to the AoAs, including adoption of new AoAs, except for changes that can be adopted by the BoD:
  - ✓ minimum majority of 75% of the total voting rights; In case voting rights are suspended, the respective voting rights shall not be taken into account when determining the quorum/majority or the computation base therefor, i.e. the total number of voting rights.
- buy back of shares according to article 7 of the AoAs
  - ✓ minimum majority of 75% of the total voting rights.

Some of these special quorum or majority requirements will cease to apply starting with the first trading day of the Shares on the spot regulated market operated by BSE and will be replaced by other requirements, as detailed under section "*General*" of this chapter.

The Company's shareholders registered in the shareholders' registry on the reference date set by the BoD may attend the GSM in person (through their legal representative, for legal persons) or by representation, based on a general or special proxy, in accordance with the applicable law and the procedure established by the Company in the convening notice. The dully filled in power of attorney shall be submitted with the Company at least two (2) business days before the date of first convening of the GSM as set in the convening notice. Shareholders and their representatives shall prove their identity in the GSM with the identity document and, if applicable, submit the power of attorney.

Board of Directors

The Company is managed in a one tier board system by a BoD consisting of seven (7) members appointed by the OGSM for a four-year term, except for the first (current) BoD members who are appointed for a two-year term. BoD members can be Romanian or foreign citizens, individuals or legal entities. The majority BoD members are non-executive.

The BoD meetings may validly pass decisions if at least five (5) members are present or represented in the meeting. The decisions are adopted with a majority of at least 50%+1 of the votes of the members of the BoD present in the meeting. In case of a voting deadlock, the vote of the BoD chairman is decisive.

The BoD is responsible to carry out all useful and necessary acts to fulfil the objectives of the Company, including the management of Company's subsidiaries and investments, except for the powers that are assigned by law to the GSM.

The management of the Company is delegated by the BoD to the General Manager (CEO), to the Chief Financial Officer (CFO), to the Chief Development Officer (CDO), to the Chief Marketing Officer (CMO) and to the Chief Operations Officer (COO). The BoD may appoint other managers with delegated management powers. The segregation of duties between the BoD and the CEO or other manager as well as the transaction value thresholds are set in the internal bylaws of the BoD or may be established by decision of the BoD.

According to the AoAs, the following responsibilities of the BoD may not be delegated to the general manager and/or other managers:

- setting the main business and development strategies for the Company;
- setting the accounting policies and the financial control policy and approving financial planning;
- appointing and revoking the Company's CEO and other managers, setting their powers and responsibilities, supervising their work and deciding on the amount of their remuneration;
- preparing the annual report, approving the annual standalone/consolidated and interim financial statements, preparing the business plan and the income and expenditure budget for the next year, organizing the GSM and implementing the GSM resolutions;
- applying for insolvency of the Company, when required;
- executing the powers delegated by the GSM;
- deciding on the establishment or closing of the Company's secondary offices in Romania or outside Romania and appointing or revoking their managers;

- approving the BoD bylaws;
- representing the Company in its relation with the CEO and other managers of the Company.

Managers

The BoD appoints the CEO for a mandate of four (4) years with the exception of the first CEO appointed for a mandate of two (2) years. The BoD may change the management structure of the Company. The CEO is generally responsible for running the daily business of the Company within the limits set by the BoD decisions, in the AoAs and by the applicable law. The BoD may revoke at any time the CEO or the other managers with or without just cause. Revocation with cause may occur if: (i) in exercising his/her duties and responsibilities, the manager exceeds the limits set out by the BoD; (ii) the manager fails to carry the actions set out by the BoD; (iii) he/she fails his/her duty of operating in good faith and in the interests of the Company; or (iv) he/she is in breach of the conflict of interest regime.

The Company is represented by the CEO who can legally bind the Company by his/her sole signature. In case the Company appoints other managers with delegated powers, the Company may be represented by any such manager who may legally bind the Company by his or her sole signature. The power to represent the Company can be transferred based on a power of attorney issued by the person who has representation powers.

RELATED PARTY TRANSACTIONS

For information on material transactions with related parties as defined in the Group Financial Statements, as of and for the periods ended 31 December 2014, 2015 and 2016, and 30 June 2017, please see Sphera Interim Financial Statements (Note 24), USFN (Romania) Annual Financial Statements (Note 24), the ARS (Romania) Annual Financial Statements (Note 22) and ARS Interim Financial Statements (Note 22).

In the ordinary course of business and on a constant and regular basis, we enter into transactions for the supply of goods and services, on arm's length terms, with companies from the Group, including our subsidiaries. The balances of purchases, payables, revenues and receivables (as applicable) in respect of significant transactions with related parties as at 30 June 2017 are disclosed in Sphera Interim Financial Statements and in ARS (Romania) Interim Financial Statements.

Up to the second half of 2016, ARS (Romania) has acted as a purchase hub for some related entities, mainly the USFN Group. All food supplies, beverages or other consumables were purchased by ARS (Romania) and sold at a mark-up designed to broadly cover any other operating costs directly associated with this line of business. In November 2016, ARS (Romania) together with USFN (Romania) have outsourced this activity to Havi (Romania), a third party company specialized in integrated logistics services for the food industry.

USFN (Romania) granted USFN (Moldova) a EUR 550,000 loan to finance USFN (Moldova)'s costs to develop and operate a KFC restaurant in Chisinau, Republic of Moldova, based on a credit contract entered into on 23 July 2015. The loan must be reimbursed within 72 months from withdrawal of the first tranche under the loan. The security interest package includes movable mortgage over (i) bank accounts and sub-accounts opened by the borrower with BC Mobiasbanca Groupe Societe Generale S.A. and (ii) equipment, machineries and all assets used for USFN (Moldova)'s business.

USFN (Romania) granted USFN (Italy) a 3,000,000 EUR loan to finance USFN (Italy)'s costs to develop and operate the first KFC restaurant in Italy, and to acquire the necessary logistic, based on a credit contract entered into on 19 December 2016, subsequently amended. The loan must be reimbursed on 19 December 2021. There are no security interests created by USFN (Italy) in favour of USFN (Romania) to secure its obligations under the credit contract.

As of 1 September 2017, the Company has consolidated and provides to the benefit of its subsidiaries USFN (Romania) and ARS (Romania) services with respect to: finance and accounting, marketing, development, operational, and human resources activities. The process included the transfer from the subsidiaries of the personnel, assets and contracts related to the consolidated services.

Furthermore, by way of decision no. 27 of 29 August 2017, the BoD approved the loan contract entered into by the Company, as lender, and its subsidiary California Fresh Flavors (Romania), as borrower. The loan has a maturity of 5 years, in a maximum amount of EUR 1 million, and bearing an annual interest rate of 4%.

On 25 August 2017, the Company, as borrower, entered into a loan agreement, with USFN (Romania) as lender. The amount of credit facility was increased from EUR 3 million to EUR 7 million by way of BoD decision passed on 6 October 2017.

By way of BoD decision no. 31 of 11 September 2017, the BoD approved the loan contract entered into by the Company, as lender, and its subsidiary USFN (Italy), as borrower. The loan has a maturity of maximum 1 year, in a maximum amount of EUR 3 million, and bearing an annual interest rate of 4%.

MATERIAL CONTRACTS

The following selected contracts or series of contracts of the same type that have been concluded by the members of the Group and are, or may be, in the Company's opinion, either individually or in aggregate, material or contain provisions under which a member of the Group has an obligation or entitlement which is, or may be, material to the Group as of the date of this Prospectus.

Franchise Agreements and Development Commitments concluded with Yum!

For a detailed description of the standard terms and conditions of our franchise agreements, and of our development commitments towards Yum!, please see section "*Our relationship with Yum!*" in the "*Business*" chapter of the Prospectus.

Lease contracts

As at 30 June 2017, the Group was operating restaurants in Romania, the Republic of Moldova and Italy under:

- the KFC brand, based on 67 lease contracts entered into by USFN (Romania), 2 lease contracts entered into by USFN (Moldova), and 2 lease contracts entered into by USFN (Italy);
- the Pizza Hut brand, based on 20 lease contracts entered into by ARS (Romania); and
- the Pizza Hut Delivery brand, based on 15 lease contracts entered into by ARS (Romania).

Object: lease of units in shopping malls and retail parks, standalone restaurants, drive-through units, and small standalone commercial units (more common for the Pizza Hut Delivery brand). Leased spaces usually measure around 100 sqm for Pizza Hut Delivery units, 100 - 200 sqm in case of shopping malls and retail parks, and up to 300 - 400 sqm, for some Pizza Hut units and KFC drive-through units.

Term: typically, 5 years with no automatic renewal right. In some cases, the leases are concluded for a (i) 3-year term, for some Pizza Hut units, (ii) up to 10-year term, in case of some standalone restaurants and shopping malls, and (iii) up to a 20-year term, in case of some drive-through units. In rare cases, an automatic renewal mechanism is provided. In most cases, the owner's approval for renewal is needed, opening the possibility to negotiate a new term and a new rent. In rare cases, renewal is subject to satisfaction of certain conditions related to the commercial performance of the leased unit.

Rent: generally comprised of a fixed minimum rent and/or a variable turnover-based percentage rent. For certain leases, the variable percentage applies only if specific turnover thresholds are met. Normally, the payable rent is the higher amount between the fixed and the variable rent. In limited cases, the rent is fixed, more commonly in case of Pizza Hut Delivery units. The rent is payable monthly or quarterly in advance, and is normally subject to automatic indexation (only upwards). In case of failure to timely pay the rent, the Group normally has short remedy periods of 5 to 15 days (up to 30 in rare cases), with the failure to comply rendering the lease in danger of early termination by the owner.

The cost structure is usually comprised of individual utilities' costs, owner's service charge, administration, marketing, decoration, technical charges, and costs of insurance (the minimum insured amount for each of the Group's unit is usually set between EUR 50,000 and EUR 200,000), ownership charges taxes (either included in the service charge or to be paid to the owner separately, pro rata). The service charge and included services are usually subject to unilateral modification by the owner, and in rare cases the automatic increase of some costs with a pre-determined percentage is stipulated. The cost structure is usually simplified in case of Pizza Hut Delivery units, in that it only includes the individual utilities' costs and owner's service charge, with rare additional costs such as marketing charges in case of retail parks.

Rights and obligations: in some cases a change of control clause is stipulated in favour of the owner, whereby the Group is either obliged to seek the owner's approval under risk of termination (hard clause) or to simply notify the owner without requesting its approval (soft clause). Normally, the owner reserves the right to assign the lease or sell the leased premises without the Group's consent, and only in some cases with a protection clause for the Group's rights deriving from the current contract. In case of shopping malls and retail parks, the contracts usually feature a non-exclusivity clause, whereby the owner may lease appropriate space to any of the Group's competitors. In limited cases, the Group has a free break option (more commonly in the case of Pizza Hut Delivery units), usually at a specific point in time or at certain anniversary dates. In rare cases, the Group has a free break option conditional on the brand franchisor's justified policy decision to withdraw. In some cases, the Group also has an indirect break option, the triggering of which causes payment of a penalty equivalent to the rent and/or full costs for a specific number of months (i.e. 2-12 months).

Limitation of liability: the owner normally limits its liability considerably, sometimes excluding the eviction and hidden defects warranty. The Group's liability is exhaustive, and covers direct and indirect, predictable and unpredictable damages, claims and/or actions of third parties, repairs to the leased space and its accessories and/or to the rest of the premises. The Group also agreed to waive any claims in most cases where the owner's liability is restricted or excluded, including claims for damages and/or loss of profit.

In most cases, the contracts are concluded with special regard to the Group's identity and activity, and so their continuity is subject to the Group continuing to have the proper rights to operate the proposed activity under the proposed brand names; consequently, with certain exceptions, assignment and subleasing are generally prohibited.

Termination: in case of termination, normally the owner has a privilege, lien and/or retention right over the Group's movable assets in the leased space, as well as extended rights to evict. In some cases, the Group must also pay a supplementary penalty for termination, regardless of cause, equivalent to either the rent and/or full costs for a specific number of months (i.e. 2-8 months) or until the end of the remaining term, sometimes mitigated if the premises are leased by a new tenant.

Other property related contracts

Joint venture contracts

USFN (Romania) concluded a joint venture contract with R.A.-A.P.P.S until 2021 for development and operation of a KFC restaurant located on 28-30 Gheorghe Magheru str., district 1, Bucharest, Romania. USFN (Romania) committed to (i) a total investment of EUR 885,000 over the period 2011-2018, (ii) its right of use of the Concept under the Franchise Agreement in connection with the restaurant and (iii) equipment in the total amount of EUR 78,885. USFN (Romania) has the right to operate the restaurant. The minimum amount payable to R.A. -A.P.P.S. may be renegotiated once every 3 years.

USFN (Romania) concluded a joint venture contract for an undetermined period with Polin for the KFC unit located in Bucharest, Gara de Nord train station. In this case, Polin's title to the space is wholly dependent on the lease agreement it concluded with the Romanian National Railway Company (RO: *Compania Naţională de Căi Ferate* "*CFR*" *– S.A.*). The term of the lease has been entered into is not a fixed term; the lease is granted until the public tender for the leased premises will be carried out. This joint venture agreement represents an operating lease agreement from an IFRS perspective.

Superficies contracts

USFN (Romania) concluded a superficies contract for a land situated in Bucharest, 259 Colentina Rd., where the company intends to develop a drive-through unit. The contract specifies that the land is subject to a restitution claim, and that it may be terminated by the Company should such risk materialize or cause failure of proper authorization of the construction works;

Owned properties

ARS (Romania) owns the Pizza Hut Mosilor location and a small warehouse in Constanta (on 10 Răscoalei 1907 street), which is not used at present for operational activities.

Lease contracts concluded with public authorities and other entities

USFN (Romania) concluded a lease contract with Cluj-Napoca Municipality for a standalone KFC unit, the term of which is due to expire on 1 August 2019.

USFN (Romania) concluded a lease contract with the Evangelic Church of Romania – Brasov parish for a location which is a historical monument. USFN (Romania) undertook to perform restoration works for the façade of the building and also has specific obligations deriving from the historical monument status of the property.

Financing facilities

Term credit facility contract: inter alios ARS (Romania) and USFN (Romania) as debtors and guarantors and Alpha Bank (Romania), as creditor (no. 120/2006/1 of 31 October 2006, subsequently amended)

Object: revocable term credit facility (denominated in EUR, USD and RON) up to a maximum amount of 20,630,000 EUR, with certain sub-limits with targeted purpose, (e.g. (re)financing development and equipment acquisition costs for the entire network of Pizza Hut and KFC restaurants in Romania and the costs of acquisition of plots of land on which the new restaurants operated by USFN (Romania) and ARS (Romania) are planned to be built and the costs of construction of such restaurants, for lease related letters of guarantee, on-lending to members of the Group located outside Romania and as working capital). Certain sub-limits of the facility may be reallocated with Alpha Bank (Romania)'s consent.

Reimbursement: (i) equal monthly tranches, for amount drawn under certain sub-limits; and (ii) bullet payment prior to 31 May 2017, for amounts drawn under other sub-limits.

Security interest package: inter alia (i) immovable mortgage over certain restaurants, (ii) movable mortgage over equipment, machineries, trade funds, credit accounts, insurance policies and certain receivables consisting in present and future dividends paid in relation to shares held by USFN (Romania) in USFN (Moldova) and in USFN (Italy), as well as over certain other receivables resulting from the loan contracts concluded between USFN (Romania) and USFN (Moldova), and USFN (Italy), respectively and (iii) blank promissory notes.

Material negative covenants: prohibition to (i) distribute dividends and repay loans in favour of the shareholders of the borrowers; (ii) sell significant assets or create security interests over assets of ARS (Romania), and USFN (Romania); (iii) take loans from other banks or financial institutions; (iv) substantially change the object and nature of business; and (v) grant any loans to third parties, without the bank's prior written consent.

Notices: prior notices to the bank in case of (i) any resolution/decision to change/amend the borrowers' articles of association, organisation and operation structure, the shareholders or the management composition and (ii) any ongoing judicial or arbitral procedure.

Termination: breach of negative covenants, obligation of prior notice, and other termination events such as: change of control, cross default and breach of restrictions on capital expenditure.

Contracts related to the Offering

For the contracts related to the Offering, please see "*Subscription and Sale*" chapter below.

REGULATORY MATTERS

Overview

We are subject to a large number of laws and regulations affecting the operation of our business, in particular, European Union legislation, national and local laws and regulations concerning food safety and hygiene, occupational safety and welfare, environment and consumer protection, employment, licensing requirements, and rules imposed by numerous regulatory and enforcement authorities.

In the context of operating in a very strict regulatory environment, we seek to maintain high standards of service, hygiene and consistency across our operations. In accordance with industry standards, the Group’s units operate pursuant to regionally appropriate HACCP (Hazard Analysis Critical Control Point) documents. The Group’s compliance with such processes within each country is then monitored by internal audit teams where appropriate. Audits are carried out across the Group’s portfolio with the aim of ensuring that the Group is adhering to brand and operational standards. Results are recorded by the relevant audit team and are used to drive unit performance.

The Group has processes for self-audit to ensure compliance with these legal requirements and is also subject to regular audits from the Group's franchise partners. The Group’s business is also inspected by various national and local regulatory authorities in the ordinary course to ensure compliance with applicable regulations.

Material permits and approvals

In order to operate as a food and beverage operator in Romania, we are required to obtain and maintain various permits and approvals from competent authorities.

The following steps are generally required to secure our operations in Romania from a regulatory perspective:

(i) Authorization by the Trade Registry of the activities to be performed at a certain business unit

When registering a business unit with the trade registry, the company's representatives issue and affidavit declaring that the activities to be carried out in the respective unit shall comply with the applicable legislation concerning the sanitary, sanitary veterinary, environmental protection and health protection.

Where specific operations permits need to be issued, generally such documents have to be obtained prior to starting the operations.

(ii) Environmental permit

The environmental permit sets out the conditions and the parameters to operate a business with potential significant environmental impact. Generally, the environmental permit is valid for five years and has to be revised whenever the authorized conditions change.

The Group has to comply with GEO 195/2005 on environmental protection. Additionally, there are also special regulations that the Group is required to observe, such as Order 1798/2007 on the approval of the Procedure for the issuance of the environmental authorization (issued by the Ministry of Environment and Sustainable Development), Government Decision 188/2002 on the approval of some norms on the discharge of waste waters into aquatic environment, Order 119/2014 on the approval of Norms of hygiene and public sanitation regarding the living environment of the population (issued by the Ministry of Health).

One of the main principles governing Romanian environmental law is the "polluter pays" principle. GEO 195/2005 provides that generally, the polluters’ liability is strict and joint in case of more polluters. For our restaurants we are required to have environmental permits where the minimum seating in our restaurants is 100 seats. The Group is generally required to comply with the following obligations: (a) apply for and obtain the necessary permits, as provided by GEO 195/2005, (b) observe and comply with the conditions imposed by such permits, (c) allow access to persons qualified to verify, inspect and control the technological installations generating environmental impact, as well as the corresponding areas, (d) carry out, entirely and in due time, the measures imposed, as set out in the documents/decisions issued by the persons who are qualified to carry out verification, inspection and control activities, (e) repair the damage and remove the consequences produced by it, restoring the conditions prior to the occurrence of the damage, according to the "polluter pays" principle, (f) inform the competent authorities in case of accidental disposal of environmental pollutants or major accidents.

Moreover, considering the nature of the activities carried, the Group has the obligation to ensure special measures and equipment for the isolation and noise protection of the vibration generating sources, so that they do not lead to exceeding the ambient noise limits. The Group must observe the following limit values of noise indicators: (a) during the day the maximum limit is 55 dB and the noise curve Cz 50 and (b) during the night, from 23:00 until 7:00, 45 dB and the noise curve Cz 40. Violation of the provisions regulating this obligation is a contravention/misdemeanor and is punishable by fine amounting from RON 30,000 to RON 60,000.

(iii) Firefighting permit

According to Law 307/2006 and Government Decision 571/2016, any construction/location with surfaces exceeding 200 square meters, where public food services take place should be authorised by the local competent Emergency Situations Inspectorate as compliant with the fire security requirements.

Thus, commencement of new construction works, modification to existing constructions and/or change of their purpose of operation, as well as commissioning thereof are subject to obtaining the firefighting endorsement or permit, as applicable. The firefighting endorsement is a document certifying that the technical design documentation complies with firefighting legislation, whereas the firefighting permit certifies, after on site and document verification, that the buildings and installations comply with applicable legislation and allows the holder to construct, commission and operate them.

In respect of existing buildings that have been commissioned without obtaining the firefighting permit, the law requires such document to be obtained by 30 September 2017. In case of a serious breach that triggers cessation of operation or of the usage of the buildings, the exception does not apply. According to Law 146/2017, operators that have submitted the documentation for the firefighting permit by 30 September 2017 will not be sanctioned if the permit is obtained by 31 December 2017. Since the applicability of the firefighting permit to existing operating buildings is not consistently dealt with by the authorities, in practice the opinion of the relevant authority whether a firefighting permit is required even if no modifications are made is sought.

In practice, the firefighting permit is usually obtained for the entire building and, therefore, may not be under the control of the Group. However, operating in the absence of firefighting permits may lead to the repeated application of fines up to suspension of the operations.

(iv) Sanitary veterinary registration and inspections

Food safety is an integral part of the Group's business as a food and beverage operator. Serving food that is safe and has been purchased, distributed, stored, prepared and sold in accordance with the applicable legislation is an underlying prerequisite for our customers. The Group is subject to extensive local and national laws and other requirements regarding food safety, including traceability, quality and safety of raw materials and final products; control of water drinkability; staff training, health control, pest elimination, waste management, maintenance and hygiene of the areas and of the equipment, application of hygiene best practice procedures, based on HACCP principles. The Group is subject also to the requirements imposed at EU level for its operations with the European Union.

Retail sale of foodstuff of animal and non-animal origin, including in restaurants and similar locations, requires a sanitary veterinary and food safety registration in accordance with the NSVFSA Order 111/2008. Such NSVFSA Order regulates the registration procedure for obtaining and direct sale and/or retail of foodstuff of animal and non-animal origin, as well as of production, processing, storage, transportation and trade of foodstuff of non-animal origin. The registration document is issued by local sanitary veterinary authority after checking the documentation and performing on site visits to check compliance with the requirements of the specific field, as well as with the requirements of EU Regulation 852/2004/EC on general foodstuff hygiene rules. Specific hygiene rules for food of animal origin are laid down in EU Regulation 853/2004/EC. The registration document is valid as long as the underlying conditions remain the same.

The Group (in respect of its business in the European Union) is subject to both EU regulations indicated above. Regulation (EC) 852/2004 has been transposed in Romania by Government Decision 924/2005 approving the general rules for foodstuff hygiene, while Regulation (EC) 853/2004 has been transposed by Government Decision 954/2005 laying down specific rules for food of animal origin.

The Group ensures compliance with the applicable food and health legislation and the Group is adequately controlling the risks across its operations and business units. The inspections are generally performed under EU Regulation 882/2004/EC and EU Regulation 854/2004/EC which have been transposed at national level by Government Decision 925/2005 approving the Rules on official inspections to ensure compliance with food and feed legislation as well as health and protection of animals, respectively Government Decision 955/2005 approving the Rules on official inspections related to animal origin products intended for human consumption.

The official inspection legislation will be subject to substantial changes upon the application of the Official Controls Regulation (EU) 2017/625 from 14 December 2019. Said Regulation shall repeal EU Regulation 882/2004/EC and EU Regulation 854/2004/EC as well as several other pieces of EU legislation. National legislation is thus expected to change as well in order to comply with the new rules

(v) Operating permit

Public food services may be carried out on the basis of an operating permit issued by the local administration authorities (i.e. city halls). The issuance procedure is a matter of local practice and varies from one authority to another. The operating permit is valid for one calendar year.

Other material regulatory framework

Fair commercial practices, consumer protection and foodstuffs labelling

The general rules regulating the production, circulation and marketing of foodstuff are established in the GEO 97/2001. It creates a legal framework regarding the production, packaging, storage, transportation and marketing of foodstuff, the responsibilities of foodstuff's manufacturers and sellers, organization of official inspections and imposition of sanctions in order to protect food quality. The legal requirements for each specific area are further developed in a large number of pieces of secondary legislation (such as legislation on metrology obligations, batch identification, price indication, etc.), sometimes overlapping.

Requirements regarding fair commercial practices as well as misleading advertising and the unfair consequences thereof and conditions under which comparative advertising is permitted are also applicable to the Group's business. Said requirements are provided under Directive 2005/29/EC and Directive 2006/114/EC which have been implemented at national level by Law 363/2007 and Law 158/2008, respectively.

Pre-packed food, as well as non-prepacked food that the Group sells (within the European Union) must comply with provisions on labelling at EU level, and notably with EU Regulation 1169/2011 on the provision of food information to consumers. The same regulation contains also the requirements on nutrition labelling, which aims to help consumers choose an appropriate diet and encourage public nutrition education as well as on allergens labelling, allowing consumers to identify allergenic ingredients in foodstuffs.

Although EU Regulations are directly applicable into EU Member States, there are still cases where former national legislation has not been formally repealed or adapted to the new EU provisions. For example, this is the case of foodstuff labelling where Government Decision 106/2002 still applies.

Romania has not yet implemented sanctions for non-compliance with the provisions of the EU Regulation 1169/2011, but applies specific sanctions based on general consumer protection legislation which is generally scattered in multiple pieces of legislation. A draft law currently exists that envisages significant sanctions for breaches to the specific provisions provided in EU Regulation 1169/2011.

Waste management

In respect of waste management, the Group has to comply with Law 211/2011 on waste regime.

In order to obtain the sanitary veterinary registration authorization, among other, the Group must conclude an agreement for the collection of used oils resulting from its activity, use fat separators and conclude an agreement for hygiene of the fat separators. In this respect, the Group is subject to a set of restrictions on the discharge of wastewater into municipal sewage networks and directly in the sewage treatment plants, respectively the Group must ensure that the used water resulted from its activity and which is discharged in the municipal sewage networks and directly in the sewage treatment plants does not contain oil, fats or other materials that could lead to creating deposits of accumulations on the collector channel. According to other special environmental legislation, the Group is required to conclude service agreements with an authorized entity for collection of waste of animal origin which is not for human consumption, resulting from the Group's activity. Failure to observe such obligation is an offence under Romanian law.

Cleaning and disinfection operations carried out by the Group as part of its operation specifics involve using biocide substances, as well as other specific substances regarded as dangerous for the human health and for the environment, as set out in Regulation (EC) 1272/2008 on classification, labelling and packaging of substances and mixtures. The Group is required to control the dangerous substances and chemicals and comply with obligations such as: (a) certain substances and chemicals must be accompanied by the product's safety data sheet, as issued by the producer, (b) the staff handling such substances and dangerous chemicals must be trained in this field and sign the training sheet for work safety, (c) the substances and dangerous chemicals must be used according to the producer's instructions.

In addition, as concerns packaging and packaging waste, the Group has to comply with Law 249/2015 regarding the management of packaging and waste packaging and with the GEO 196/2005 regarding the Environmental Fund, as well as subsequent regulations. In particular, the Group is required to keep record of and report on the quantities of packaging introduced on the market, as well as of the recovered packaging waste. In line with EU legislation, there are certain annual targets to be achieved in relation to recovery of packaging waste, e.g. for paper and cardboard: 60% of the weight of the paper and cardboard introduced on the market by the relevant operator, or for plastic: 22.5% of the plastic weight introduced on the market. The recovery targets may be achieved by the relevant operator individually or by transferring the liability to one or more authorized operators ("**OTRs**"). The Group is required to observe the obligation to keep record of and report the quantities of packaging it has placed on the market even in case of transfer of liability to OTRs. Failure to achieve the targets will result in payment of a fee of RON 2 per kilogram for the difference between the quantities of packaging waste corresponding to the minimum targets and the quantity of waste effectively recovered. In addition, the authorities may apply fines, default penalties and interest rates, or in certain circumstances, even commence criminal investigations against the non-compliant companies. As per Law 211/2011, in order to ensure a high degree of waste recovery, package waste producers and package waste holders are required to collect separately at least the following categories of package waste: paper, metal, plastic and glass. Other obligations may refer to classifying each type of waste generated as a result of the Group's activity in a waste list. Also, the Group has the obligation to appoint an employee to pursue and ensure compliance with legal obligations related to waste management or to delegate this obligation to a third party. The person(s) appointed for this purpose should be trained in waste management, including dangerous waste, as a result of graduating from a specialized course.

Data protection

In its normal course of business, the Group collects personal data from its employees and customers. Processing of personal data is regulated by Law no. 677/2001 for the protection of individuals with regard to the processing of personal data and the free movement of such data, transposing in Romania Directive 95/46/EC of 24 October 1995 on the protection of individuals with regard to the processing of personal data and the free movement of such data. In general, the collection of personal data should be performed for specified, explicit and legitimate purposes. The law imposes operators, among others, obligations to inform the data subjects about the content of their personal data that can be processed, to maintain the privacy of the acquired data and to notify the supervisory authority.

Failure to comply with the law on personal data processing constitutes an offense unless committed under such conditions as to constitute a criminal offense and is punishable with fines as low as RON 500 and as high as RON 500,000, depending on the type of infringement.

On 27 April 2016, Council Regulation (EU) 679/2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC was approved. This regulation will apply as of 25 May 2018. Some of the major changes brought about by this regulation are the increase of the administrative fines applicable for violations of the protection of personal data, which can reach up to the highest value of EUR 20 million or 4% of total worldwide annual turnover corresponding to the financial year.

TAXATION

The following summary of certain Romanian tax consequences of ownership of the Shares is based upon laws, regulations, decrees, tax rulings, income tax conventions (treaties) for the avoidance of double taxation, administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any interpretations may be retroactive and could affect the tax regime applicable to the holders of the Shares.

The following information is a summary of the most significant Romanian tax considerations relevant to the holders of the Shares.

This summary is based on laws, regulations and administrative procedures in Romania and in the EU in force at the date of this Prospectus and is not intended to represent a legal opinion or to be a comprehensive analysis of all possible tax considerations that may be relevant for Romanian and foreign legal entities and individuals who acquire the Shares.

Prior to investing in the Shares, potential investors should seek advice from their tax and financial advisers with respect to Romanian and/or EU tax regulations applicable in their specific case, including the applicability of double taxation treaties, pending or proposed changes in applicable tax laws as of the date of this Prospectus and any actual changes in applicable tax laws after such date.

Under Law No. 227/2015 on the Fiscal Code, as subsequently amended, in force as of 1 January 2016 (the "**Fiscal Code**") and the related implementing instructions, as subsequently amended and supplemented (approved by Government Decision no. 1/2016 on the Norms implementing the Fiscal Code) (the "**Norms**"), certain types of income received from Romania by residents or by non-residents may be subject to tax in Romania at the tax rates stipulated by the Fiscal Code.

Definitions

Within the meaning of the Fiscal Code:

- a "**resident**" means any Romanian legal entity, any foreign legal entity which has its place of effective management in Romania, any legal entity having its headquarters in Romania, incorporated according to European legislation and any resident individual;
- a "**resident individual**" means any individual who either (a) has his/her domicile in Romania, or (b) has his/her centre of vital interests located in Romania, or (c) is present in Romania for a period or several periods exceeding, in aggregate, 183 days during any 12 consecutive months, and that period(s) end(s) in the calendar year relevant for tax purposes, or (d) is a Romanian citizen who works abroad as an officer or an employee of the Romanian State. By way of exception from the provisions (a) to (d) above, a foreign citizen enjoying diplomatic or consular status in Romania, a foreign citizen who is an employee or an officer of an international or intergovernmental organization registered in Romania, a foreign citizen who is an officer or an employee of a foreign state in Romania, or their family members will not be deemed to be resident in Romania;
- a "**non-resident**" means any foreign legal entity, any non-resident individual and any other foreign entity, including an undertaking for collective investment in transferable securities without legal personality, which are not registered in Romania according to the law;
- a "**non-resident individual**" means any individual who does not meet the criteria to be qualified as a resident individual;
- a "**foreign legal entity**" means any legal entity which is not a Romanian legal entity and any legal entity established pursuant to European law which is not headquartered in Romania;
- a "**Romanian legal entity**" means any legal entity established and operating in accordance with Romanian law;
- a "**legal entity established pursuant to European law**" means any legal entity established in accordance with and by the mechanics contemplated by European regulations; and
- a "**micro-company**" means a Romanian legal entity which fulfils the following conditions cumulatively: (i) as at 31 December of the previous tax year had a turnover of no more than EUR 500 thousand; and (ii)

as at 31 December of the previous tax year its income from consulting and management activities, if any, is under 20% of its total turnover; and (iii) is not active in any of the following sectors: banking, insurance and reassurance, capital markets, gambling, upstream oil & gas activities.

Taxation of dividends

Tax rate

Dividends paid by Romanian legal entities to individuals or legal entities (either Romanian or non-Romanian tax residents) are subject to a tax of 5% withheld at source.

Exemption from tax on dividends applicable to the shareholders under certain conditions

According to the Fiscal Code, Romanian legal entities which are corporate income taxpayers may be exempt from the 5% dividend tax, if said persons have held a minimum of 10% in the Company's share capital, for a continuous period of one year at the dividend payment date.

Under the Parent Subsidiary Directive, transposed in the Fiscal Code, shareholders that are legal entities and tax resident in a member state of the EU may benefit from the same exemption from the Romanian dividend tax, subject to the conditions specified above. In addition, the holders of Shares which are legal entities must be organised in one of the corporate legal forms provided for in the Parent Subsidiary Directive and must be liable to pay one of the taxes provided for in the Parent Subsidiary Directive or a tax similar to corporate income tax (without being entitled to any options or exemptions) in their country of residence.

If the conditions regarding the minimum holding and the minimum period of holding are not met at the payment date, when paying dividends, the Company will withhold the 5% dividend tax. Subsequently, in the fiscal year in which the condition is met, the tax paid may be reclaimed from the Romanian budget.

To qualify for dividend tax exemption in Romania under the Parent Subsidiary Directive, the legal entity that is a shareholder resident in an EU Member State, must provide the Company, directly or through its custodian, with the original or a notarized copy of the tax residency certificate issued by the tax authority of the state of residency or with another document issued by an authority (other than the tax authority) responsible for the certification of residency under the domestic law of that state, confirming the shareholder's tax residency on the dividend payment date. The shareholder must also provide the Company with an affidavit confirming it as the beneficiary under the EU law, with a certified translation into the Romanian language.

Dividends, if any, distributed/paid by the Company to voluntary pension funds, to privately managed pension funds, and to public administration bodies exercising the rights and obligations of the Romanian State as shareholder in that Romanian legal entity are also exempt from payment of the tax on dividend.

Application of double taxation treaties for non-resident shareholders (individuals or legal entities)

If the EU Parent Subsidiary Directive does not apply, the 5% dividend tax imposed by the Fiscal Code may be reduced or eliminated depending on the country of residence of the non-resident shareholder (individual or legal entity), based on the double taxation treaties (if any) concluded between Romania and the country of residence of the non-resident shareholder.

To benefit from the provisions of double taxation treaties, a non-resident shareholder is required to provide the Company with the tax residency certificate issued by the tax authority from the relevant state or another document issued by an authority (other than the tax authority) responsible for the certification of the tax residency under the domestic law of that state, valid for the year in which the tax is owed, in original or as notarised copy, together with an authorised translation into the Romanian language. In the absence of a tax residency certificate at the time of dividend payment, the Romanian dividend tax rate will apply. The non-resident shareholder may provide to the Company the tax residency certificate for a certain period of time, within five years (the statute of limitation) as of the dividend payment date. This will allow for the recovery of the dividend tax from the Romanian state budget.

Taxation of dividend income

Dividend income received from a Romanian legal entity is exempt for corporate income tax purposes in Romania. For Romanian legal entities, which qualify as micro-companies, the dividend income will be part of that their taxable income and will be subject to the 1% or 3% turnover tax.

Taxation of capital gains

Tax rate

The taxable gain from the transfer of shares is calculated as the positive difference between the sale price and the purchase price of those shares, less any fees, charges and other amounts related to the transaction. According to the Romanian tax legislation, capital gains realised by legal entities or individuals from the sale of the Shares are subject to 16% tax.

Exemption from tax on capital gains applicable to shareholders under certain conditions

The capital gain derived by the shareholders that are legal entities, resident in Romania or in a state with which Romania has concluded a double taxation treaty can be eligible for exemption from the 16% tax on capital gains, in Romania, provided that said shareholders have held more than 10% of the share capital of the Company for a continuous period of at least one year, on the date of the sale. In order to benefit from this exemption, Romanian shareholders, which are legal entities, must be corporate income taxpayers (not micro-company taxpayers).

Application of double taxation treaties

If the tax exemption described above does not apply, capital gains tax imposed on non-residents by the Fiscal Code may be reduced to nil by virtue of a double taxation treaty entered into by Romania and the country of residence of the seller of the Shares.

To benefit from the provisions of a double taxation treaty, a non-resident seller of Shares must provide a tax residency certificate issued by the tax authorities of its country of residence (valid for the year in which capital gains were realised) to the Romanian intermediary who is performing the transaction, or, if there is no intermediary involved, directly to the Company. In the absence of a tax residency certificate at the time when the capital gains are realised, the Romanian capital gains tax of 16% will be due for the total amount of realised capital gains. The non-resident seller of Shares may provide the tax residency certificate valid at the time of payment within five years (the statute of limitations) following the date of payment. This will allow for the recovery of the tax from the Romanian budget.

Declaration and payment of capital gains tax by resident or non-resident individuals

Resident individuals realising capital gains from the sale of Shares in the Company are required to file with the competent tax office an annual tax return with respect to the capital gains realised in the respective year by 25 May of the following year. Based on this return, the competent tax office establishes the annual tax due, by applying the tax rate to the taxable annual net income obtained as a result of the transfer of Shares.

The above rules are also applicable to non-resident individuals, who are required to fulfil the obligations to pay tax and file tax returns in connection with capital gains tax due in Romania, for which they are required to register with the competent tax authority. Non-resident individuals for whom Romania is not a tax domicile, who have tax liabilities in Romania, must appoint a proxy with a tax domicile in Romania, to declare and pay any taxes on behalf of the non-resident individuals. The requirement to appoint a proxy does not apply to taxpayers who are resident in an EU member state, a state of the European Economic Area or a state with which Romania has concluded an accord for tax administrative cooperation and recovery of tax receivables. Non-resident individuals are not required to declare in Romania gains/losses resulting from transactions performed within a year, provided that the double taxation treaty concluded between Romania and the residence country of the individual does not grant taxation rights to Romania and that non-resident individual provides the Company with his/her tax residency certificate.

Declaration and payment of capital gains tax by Romanian legal entities

If the exemption above does not apply, capital gains realised by a Romanian corporate income taxpayer from the sale of Shares shall be part of that company's taxable result (profit or loss) and shall be subject to corporate income tax, as appropriate. In what concerns capital gains derived by a Romanian company which is subject to micro-company tax, the income from the sale of the Shares (not the gain) shall be part of that company's taxable income and shall be subject to the 1% or 3% turnover tax, depending on the number of employees said company has.

Declaration and payment of capital gains tax by foreign legal entities

As a rule, a foreign legal entity deriving income from the sale of Shares must register with the tax authority for the declaration and payment of the capital gains tax to the Romanian tax authorities. The formalities regarding the declaration and payment of the capital gains tax by foreign legal entities are similar to the formalities applicable to Romanian legal entities. Any non-resident seller of Shares may appoint a proxy in Romania in order to comply with these obligations.

If the non-resident seller relies on the provisions of a double taxation treaty in respect of Romanian capital gains tax, it must provide the Company with the tax residency certificate (which entitles the non-resident seller to invoke the double taxation treaty protection). If the non-resident seller is required to file a tax return in Romania for other transactions performed for which double taxation treaties do not provide a tax exemption in Romania, when submitting said tax return, the seller must attach a notarised copy of the tax residency certificate and a certified Romanian translation thereof for cases when the seller benefited from treaty protection for its capital gains.

Other taxation related matters

Dividend income and capital gains obtained by resident individuals are also subject to a 5.5% social healthcare contribution. The contribution is not due for these particular types of income if the individual obtains other types of income (i.e. salary) for which he/she already pays the healthcare contribution.

SUBSCRIPTION AND SALE

Offering Summary

In the framework of the Offering, the Selling Shareholders will offer for sale up to 9,831,753 existing Offered Shares, of which 8,667,773 Shares will be offered by Lunic (Cyprus) and 1,163,980 Shares will be offered by MBL (Romania). The Offered Shares will be offered at the Offer Price Range (see "*Offer Price - Offer Price Range*" below) and the Offered Shares allocated in the Offering will be sold at the Final Offer Price. The Final Offer Price will be determined in RON.

Subscriptions can be made from 24 October 2017 to 2 November 2017 inclusively, namely 8 (eight) Business Days (the "**Offer Period**"). The Selling Shareholders and the Company, in agreement with the Joint Bookrunners, may: (i) extend the Offer Period; (ii) decide on the early closing of the Offering in case the Offering is fully subscribed; any early closing of the Offering Period will be publicly announced using the same methods as the announcement of the Final Offer Price, and the dates for each of pricing, allocation, publication of the Final Price, results of the Offering and trading in Shares will in such case be adjusted accordingly; or (iii) change other dates related to the Offering, in each case in compliance with Romanian legislation.

The allocation factor for the Retail Tranche, together with the final number of allocated Offered Shares will be publicly announced, on the last day of the Offer Period (the "**Allocation Date**"), expected to be on 2 November 2017**.** The Final Offer Price shall be publicly announced at the latest on the Business Day following the Allocation Date (see "*—Offer Price*" and "*—Allocation of the Offered Shares*" below).

The transaction related to the allocated Offered Shares will take place the next Business Day following the Allocation Date, expected to be on or around 3 November 2017 (the "**Transaction Date**") and the transfer of the allocated Offered Shares will be settled through the Romanian CSD's system within two Business Days from the Transaction Date (that is on or around 7 November 2017 (the "**Settlement Date**") (see "*Settlement*" below).

Offer Tranches

Any Romanian or foreign investor, individual or entity (with or without legal personality) may participate in the Offering, except for those investors whose subscription in the Offering would constitute a violation of applicable legislation. Investors who intend to subscribe for Offered Shares must be familiar and comply with the terms and conditions of the Offering set out in this Prospectus and with the laws applicable to the Offering in their jurisdictions and the restrictions set out in "*Selling and Transfer Restrictions*" below.

The Offering is split into two tranches (the "**Offer Tranches**") as follows:

1) 15% of the Offered Shares (1,474,763 Shares) will be initially offered to Retail Investors (as defined below) (the "**Retail Tranche**"); and
2) The remaining Offered Shares (8,356,990 Shares) will be offered to Institutional Investors (as defined below) (the "**Institutional Tranche**").

For the avoidance of doubt, the split of Shares offered in the Retail Tranche between the Selling Shareholders will be: 1,300,166 Shares from Lunic (Cyprus) and 174,597 Shares from MBL (Romania) and the split of Shares offered in the Institutional Tranche between the Selling Shareholders will be: 7,367,607 Shares from Lunic (Cyprus) and 989,383 Shares from MBL (Romania)**.**

The final size of each Offer Tranche will be determined by the Selling Shareholders, in agreement with the Joint Bookrunners, based on the volume and price of subscriptions from investors, on the Allocation Date (see "*Allocation of the Offered Shares*" below). In agreement with the Joint Bookrunners, the Selling Shareholders may decide to re-allocate Offered Shares from one Offer Tranche to the other Offer Tranche on the basis of the subscription levels in each Offer Tranche. Reallocation of Shares from one Offer Tranche to the other will be made without altering the respective proportions of shares for Lunic (Cyprus) and MBL (Romania) in the total number of shares of each Offer Tranche.

For the purposes of this Prospectus:

- "**Institutional Investors**" means qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive as implemented by Article 2 (21) of the Issuers and Markets Operations Law; and

- "**Retail Investors**" means any individual or legal entity who does not meet the above criteria to qualify as an Institutional Investor.

The Offered Shares within each of the Offer Tranches above are of the same class (ordinary shares), are subject to the same legal provisions and confer the same rights and obligations to their owners.

Offer Price

Offer Price Range

The Offered Shares are offered at the Offer Price Range of RON 25 to RON 33 per Offer Share. Subscriptions for Offered Shares will be made in RON.

Retail Investors must subscribe for Offered Shares at the fixed price of RON 33 (*i.e.* the top of the Offer Price Range).

Institutional Investors may validly subscribe for Offered Shares at any price within the Offer Price Range (including the bottom and the top of the price range). The price tick for the subscription of Offered Shares by Institutional Investors is RON 0.1.

Payment of the subscription price for Offered Shares by investors must be made as set out in "*—Subscription of Offered Shares by Retail Investors Payment Evidence for Subscriptions by Retail Investors*" and "*—Subscription of Offered Shares by Institutional Investors–Subscription Documentation for Institutional Investors*" below, as applicable.

Bank charges or any other charges, including any applicable commissions of the relevant market institutions, relating to the payment of the subscription price shall be borne separately by the investors. Such charges cannot be quantified by the Managers, the Selling Shareholders, or the Company.

Bookbuilding

During the Offer Period, a bookbuilding process for the Offered Shares will be carried out. During the bookbuilding process, the Joint Bookrunners will gauge the level of interest in the Offering on the part of Institutional Investors and the price sensitivity of such Institutional Investors in relation to the Offered Shares. Institutional Investors will be required to specify the number of Offered Shares which they would be prepared to acquire and the related price for such Offered Shares. Such number of Offered Shares and the price at which such investors express their interest will be recorded in a book maintained by the Joint Bookrunners (the "**Book**"). Subscriptions received from Retail Investors in relation to the Offered Shares will not be included in the bookbuilding process.

The Offered Shares in the Institutional Investors Tranche are only to be sold at the Final Offer Price and only to those investors who subscribed Offered Shares at a price equal to, or higher than, the Final Offer Price.

Final Offer Price

The Final Offer Price for Retail Investors is equal to the Final Offer Price for Institutional Investors. The Final Offer Price will be determined by the Selling Shareholders within the Offer Price Range in agreement with the Joint Bookrunners, at the latest on the Business Day following the Allocation Date, on the basis of the expressions of interest made by the Institutional Investors during the bookbuilding process.

The allocated Offered Shares will be sold to Retail Investors and to the Institutional Investors at the Final Offer Price.

The successful closing of the Offering will be subject, *inter alia*, to the determination of the Final Offer Price and each of the Company's, the Selling Shareholders' and the Joint Bookrunners' decisions to proceed with the Offering. It will also be subject to the satisfaction of conditions contained in the Placement Agreement and to the Placement Agreement not having been terminated. Further details of the Placement Agreement are set out in paragraph "Placement Agreement" below.

The Selling Shareholders will notify investors, the FSA and the BSE with respect to the Final Offer Price at the latest on the Business Day following the Allocation Date. The relevant pricing notification will be published on the websites of the BSE (www.bvb.ro), Raiffeisen Bank S.A. (www.raiffeisen.ro), Alpha Finance Romania S.A. (www.alphafinance.ro) and of the Company (www.spheragroup.com).

If the Final Offer Price is lower than the price paid by an investor for each Offered Share that it subscribed for, an amount equal to the difference between (a) the total consideration paid in advance by that investor for the Offered Shares that it subscribed; and (b) the number of Offered Shares sold to the relevant investor multiplied by the Final Offer Price, will be returned to the relevant investor, in each case less any bank transfer commissions and any applicable commissions of the relevant market institutions, to the investor's bank account indicated in the subscription form submitted in relation to the subscription of Offered Shares (the "**Subscription Form**"), in the investment services agreement or as otherwise agreed with the Managers or the Eligible Participant (as defined below) with whom the application for subscription is made, as applicable, within maximum 5 (five) Business Days from the end of the Offer Period. No interest shall be payable to investors in respect of such amounts.

If an investor has indicated more than one account for the reimbursement of any such amounts, the Managers or the Eligible Participant reserve the right to pay the whole amount to be reimbursed to only one of the accounts indicated by the investor. Payments to the investors' bank accounts will be made firstly for validated subscriptions and subsequently for the invalidated subscriptions. The Managers will not be liable for any failure to transfer such amounts, which occur as a result of the information provided by an investor for such purposes having been incomplete or incorrect.

Subscription of Offered Shares by Institutional Investors

By subscribing for Offered Shares, each Institutional Investor confirms that it has read this Prospectus, that it has accepted the terms and conditions set out in this Prospectus and that it has made the subscription according to the terms included in this Prospectus.

Valid subscriptions for Offered Shares by Institutional Investors will be collected in the Book. The Managers do not intend to make public the contents of the Book or any information related to subscriptions for Offered Shares by Institutional Investors (including, but not limited to, the subscription level).

No minimum subscription requirement applies to Institutional Investors. Institutional Investors may submit multiple subscriptions for Offered Shares.

Institutional Investors will pay brokerage fees in accordance with the relevant investment services agreement concluded with a Manager or an affiliate of a Manager. Investors will not bear any additional costs or taxes in connection with the submission of purchase orders for the Offered Shares, except for the costs (if any) associated with opening and maintaining a securities account (unless such investor already has an account) and any brokerage commissions payable under any relevant agreements or pursuant to the regulations of the entity accepting such purchase orders.

Time schedule and locations for subscriptions within the Institutional Tranche

Subscriptions of Offered Shares within the Institutional Tranche can be made only through the Managers.

Institutional Investors can subscribe for Offered Shares during the entire Offer Period, during the working hours of the relevant Managers.

Subscription documentation for Institutional Investors

If an Institutional Investor has concluded an investment services agreement with a Manager or an affiliate of a Manager, such Institutional Investor may validly subscribe for Offered Shares on the basis of orders given as a regular investment services business and by any means of communication provided by that agreement, without being required to submit any Subscription Form or identification documentation. Institutional Investors which have not concluded an investment services agreement with a Manager or an affiliate of a Manager may validly subscribe for Offered Shares only if they submit a Subscription Form and the applicable identification documentation listed at "*Subscription of Offered Shares by Retail Investors - Subscription Documents for Retail Investors*" below.

The value of the Offered Shares allocated to an Institutional Investor must be guaranteed through:

- Payment order evidencing that the price for the allocated Offered Shares has been transferred to the Collection Accounts (as defined below), provided that such amount is credited to the Collection Accounts before 16:00 (Romania time) on the Transaction Date.

The collection account for the subscriptions of Offered Shares via Raiffeisen Bank S.A. is the RON bank account having the IBAN RO93 RZBR 0000 0600 0459 2833 opened with Raiffeisen Bank S.A., beneficiary Raiffeisen Bank S.A., and the collection account for the subscriptions of Offered Shares via Alpha Finance Romania S.A. is the RON bank account having the IBAN RO12BUCU041017172511RO15 opened with Alpha Bank Romania S.A., beneficiary Alpha Finance Romania S.A. (collectively referred to as the "**Collection Accounts**" and individually the "**Collection Account**"). The payment order must contain the unique registration code of the Institutional Investor. Investors must take into account possible transfer fees and, if applicable, account opening fees/management fees. No deposit in cash directly to the Collection Accounts is accepted. The amounts transferred by Institutional Investors, representing the value of the allocated Offered Shares, will not bear interest in favour of such Institutional Investors.

No Manager will be liable if, for reasons outside its control, any of the Collection Accounts is not effectively credited with the amounts representing the value of the allocated Offered Shares at the latest at 16:00 (Romania time) on the Transaction Date.

- A settlement commitment statement issued by the custodian agent undertaking the responsibility for the settlement;
- A bank guarantee letter issued by a credit institution from the European Union covering the settlement risk undertaken by the relevant Manager; or
- A settlement commitment statement issued by the relevant Manager or an affiliate of that Manager undertaking the responsibility for the settlement in compliance with the FSA limitations.

The guarantee must include any applicable fees.

Subscription of Offered Shares by Retail Investors

By subscribing for Offered Shares, each Retail Investor confirms that it has read this Prospectus, that it has accepted the terms and conditions set out in this Prospectus and that it has made the subscription according to the terms included in this Prospectus.

The minimum subscription of Offered Shares by a Retail Investor is 100 Offered Shares. Retail Investors are allowed to submit multiple subscriptions.

No brokerage fees will be payable in relation to subscriptions by Retail Investors.

Time schedule and locations for subscriptions within the Retail Tranches

Subscriptions for Offered Shares by Retail Investors can be made during the entire Offer Period, on each Business Day during the working hours of the relevant unit of Raiffeisen Bank S.A., Alpha Finance Romania S.A. or of the relevant Eligible Participant (as applicable), but no later than 12:00 p.m. (Romania time) on the last day of the Offer Period.

Retail Investors can subscribe for Offered Shares:

1) through Raiffeisen Bank S.A., at the units listed in Appendix 1 (*Distribution Network of Raiffeisen Bank S.A.*) to this Prospectus; or
2) through Alpha Finance Romania S.A. at its headquarters in Calea Dorobanti 237B sector 1, 2nd floor, Bucharest; or
3) at the authorised venues of any Eligible Participant.

"**Eligible Participants**" means any intermediaries (other than the Managers), which are investment firms or credit institutions qualified as participants to the trading system of the BSE, and which (i) have signed an irrevocable and unconditional undertaking (the "**Engagement Letter**") to observe the provisions of this Prospectus and the applicable law, in the form made available by the Sole Global Coordinator and (ii) have submitted the Engagement Letter to the Sole Global Coordinator in the form agreed therewith.

Eligible Participants may not accept, register, process and/or validate subscriptions prior to the execution and submission to Sole Global Coordinator of a signed copy of the Engagement Letter. Each Eligible Participant must comply (and must ensure that its internal systems allow it to comply) and is exclusively liable for any non-compliance with the requirements set out in this Prospectus including, without being limited to, the requirements regarding the availability of funds and the settlement of the transactions carried out following the acceptance of subscriptions by the respective Eligible Participant. The Managers will not be liable for any non-compliance with the requirements set out in this Prospectus by any Eligible Participant.

Trading orders corresponding to each subscription of Offered Shares made by Retail Investors will be registered, during the Offer Period, in the BSE system dedicated to public offerings, by Raiffeisen Bank S.A., Alpha Finance Romania S.A. or/and by any Eligible Participant that received and validated the respective subscription, as applicable.

Subscription Form for Retail Investors

A subscription of Offered Shares by a Retail Investor is made by submitting the duly filled in Subscription Form together with the Payment Evidence (as defined below) and the requested documents (see "Subscription of Offered Shares by Retail Investors - Subscription Documents for Retail Investors" below) with a relevant Manager or with an Eligible Participant. The Subscription Form will be available at the headquarters of Alpha Finance Romania S.A. as set out above, at the locations set out in Appendix 1 (Distribution network of Raiffeisen Bank S.A.) to this Prospectus, at the authorised venues of the Eligible Participants or as otherwise communicated by Raiffeisen Bank S.A. and Alpha Finance Romania S.A. or the relevant Eligible Participant.

If a Retail Investor has concluded an investment services agreement with Raiffeisen Bank S.A., Alpha Finance Romania S.A. or with an Eligible Participant, such Retail Investor may validly subscribe for Offered Shares on the basis of orders given as a regular investment services business and by any means of communication provided by that agreement, without being required to submit any Subscription Form or identification documents.

Subscription Forms related to Offered Shares for which:

- the amount transferred into the Collection Account or indicated in the settlement commitment statement or the bank guarantee is less than the number of Offered Shares subscribed by that Retail Investor multiplied by the maximum price within the Offer Price Range; or
- the subscription procedures were not complied with,

will not be validated. Subscriptions that are not validated will not be considered in the allocation process. Retail Investors whose Subscription Forms for Offered Shares were not validated will be notified accordingly and the amounts transferred will be returned in the investor's account referred to in the Subscription Form for Offered Shares within maximum 5 (five) Business Days from the end of the Offer Period.

Payment Evidence for subscriptions by Retail Investors

Subscriptions for Offered Shares by Retail Investors will be validated only if Subscription Forms are accompanied by the documents listed at "*Subscription of Offered Shares by Retail Investors - Subscription Documents for Retail Investors*" below and by one of the following documents (each, a "**Payment Evidence**"):

1) Evidence that the price for the Offered Shares subscribed by that Retail Investor has been paid, as follows:

    - for subscriptions through Raiffeisen Bank S.A. or Alpha Finance Romania S.A. - payment order evidencing that the price for the subscribed Offered Shares has been transferred to the respective Collection Account, provided that such amount credits the relevant account before 17:00 (Romania time) on the last day of the Offer Period; and

    - for subscriptions through an Eligible Participant - the subscription price for the Offered Shares can be paid, in cash or by bank transfer, depending on the internal procedures of the respective Eligible Participant, as communicated by each Eligible Participant to the relevant Retail Investors.

    The payment order must contain the personal number/passport number/unique registration code of the Retail Investor. Investors must take into account possible transfer fees and, if applicable, account opening fees. No deposit in cash directly to the Collection Accounts is accepted, unless the subscription is made through an Eligible Participant which has internal procedures allowing cash payments. The amounts transferred by Retail Investors, representing the value of the subscribed Offered Shares, will not bear interest in favour of the Retail Investors.

    Each payment order is equivalent to a subscription and combining several payment orders for one single subscription is not possible. The amount transferred by a Retail Investor in relation to a subscription of Offered Shares which is invalidated, can be used as payment for a new subscription of Offered Shares.

No Manager will be liable if, for reasons outside its control, any of the Collection Accounts is not effectively credited with the amounts representing the value of the subscriptions before 17:00 (Romania time) on the last day of the Offer Period;

2) Settlement commitment statement issued by the custodian agent undertaking the responsibility for the settlement;

3) Bank guarantee letter issued by a credit institution from the European Union for the purpose of covering the settlement risk undertaken by Raiffeisen Bank S.A., Alpha Finance Romania S.A. or the relevant Eligible Participant; or

4) Settlement commitment statement issued by Raiffeisen Bank S.A., Alpha Finance Romania S.A. or the relevant Eligible Participant, undertaking the responsibility for the settlement in compliance with the FSA limitations.

Retail Investors which have an investment services agreement with Raiffeisen Bank S.A., Alpha Finance Romania S.A. or with an Eligible Participant and which subscribe through Raiffeisen Bank S.A., Alpha Finance Romania S.A. or that Eligible Participant, as applicable, may also subscribe using either (i) the amounts existing in the brokerage account(s) or (ii) a settlement commitment statement, being understood that a mix of the sources set out at (i) and (ii) above is not allowed. In this case, Retail Investors shall ensure that the existing amounts from their brokerage account(s) or the settlement commitment statement fully cover the subscribed amount. A subscription cannot be covered by a mix of amounts available in the brokerage account(s) and a payment order for the remaining amount. The existing cash from the client account opened with Raiffeisen Bank S.A., Alpha Finance Romania S.A. or the respective Eligible Participant, which is designed for the payment of the subscribed Offered Shares, cannot be used by the Retail Investor for other transactions.

If the amount transferred by a Retail Investor into any of the Collection Accounts or indicated in the bank guarantee or settlement commitment statement is higher than the maximum price within the Offer Price Range multiplied by the number of Offered Shares indicated by that Retail Investor in the Subscription Form, the subscription will only be validated for the number of Offered Shares indicated in the Subscription Form. In circumstances where the amount transferred to the Collection Accounts or indicated in the settlement commitment statement or in the bank guarantee letter is lower than the subscribed amount, the Subscription Form will be invalidated for the entire subscribed amount.

Subscription Documents for Retail Investors

In order to be accepted, Subscription Forms for Offered Shares subscribed for by Retail Investors must be accompanied by a Payment Evidence and by the documents set out below, depending on each type of Retail Investor and on whether the relevant Retail Investor subscribes through Raiffeisen Bank S.A., Alpha Finance Romania S.A. or through an Eligible Participant.

If a Retail Investor concluded an investment services agreement with Raiffeisen Bank S.A., Alpha Finance Romania S.A. or with an Eligible Participant, that Retail Investor may validly subscribe for Offered Shares, without being required to submit the identification documentation listed below, unless any changes occurred in relation to his/her/its identification data since the latest update.

In case a Retail Investor did not conclude a valid investment services agreement with Raiffeisen Bank S.A., Alpha Finance Romania S.A. or with an Eligible Participant, the Subscription Form duly filled in by the Retail Investor in two original copies shall be accompanied by a Payment Evidence and by the documents listed below, which shall be provided in English or Romanian language. For the avoidance of any doubt, the Eligible Participants shall be liable for verifying the documents corresponding to subscriptions they are receiving.

Resident individuals subscribing in their own name:	-	ID (original and copy).
Resident individuals subscribing in the name of other individuals:	-	ID (original and copy) of the representative and the ID (in copy) of the represented individual; and
	-	Power of attorney in authenticated form (original and copy).
Resident individuals with no legal capacity (impaired judgment) or placed under guardianship:	-	ID (original and copy) of the resident individual subscribing for the represented individual and the ID of the person with no legal capacity (copy);
	-	Passport (original and copy) and/or residence permit (original and copy) of the individual subscribing for the person with no legal capacity—applicable only to

	foreign citizens; and - The guardianship document or, as appropriate, the trustee or the special trustee document.
Resident corporate entities subscribing in their own name:	- Registration certificate issued by the Trade Registry (copy); - Updated constitutive act (copy certified for its conformity with the original by the legal representative of the legal person); - Original certificate of current standing (*certificat constatator*) issued by the Trade Registry (issued no more than 30 business days prior to the date of subscription); - Power of attorney/Mandate in original for the person(s) signing the Subscription Form, issued as stipulated by the constitutive act, or proof that the person concerned is legally representing the subscribing corporate entity, with individual representation right (if the company is collectively represented by two or more persons who all are present for the signing of the Subscription Form, such proof shall be presented for all such persons) (power of attorney in original and any other documents certified for their conformity with the original by the legal representative of the legal entity); and - ID (original and copy) of the person subscribing in the name of the legal person.
Non-resident individual subscribing in their own name:	- Passport and proof of domicile if it's not stated on the passport or ID issued by a member state of the EU/EEA (original and copy).
Non-resident individual subscribing through resident authorised representatives:	- Passport and proof of domicile if it's not stated on the passport or ID issued by a member state of the EU/EEA (copy) for the represented individual; - ID for the authorised representative (original and copy); and - Authenticated power of attorney (and, if the case, apostilled) setting out that the representative is authorised to act in the name of the non-resident individual (original and copy).
Non-resident corporate entities subscribing in their own name:	- Certificate of incorporation of the non-resident corporate entity issued by the Trade Registry or by any equivalent institution, if existing (copy); - Updated constitutive act of the non-resident corporate entity (copy certified as true to the original by the legal representatives of the non-resident corporate entity); - Certificate of current standing, in original, for the non-resident corporate entity evidencing the legal representatives of the non-resident entity issued by the Trade Registry or by an equivalent institution (issued no more than 30 business days prior to the date of subscription). If no authority or institution is authorised to issue such certificate, any corporate document evidencing the legal representatives of the non-resident corporate entity shall be submitted (issued no more than 30 business days prior to the date of subscription); such corporate document of the non-resident corporate entity shall set out clearly whether the legal representatives are entitled to act individually or jointly; - In case subscriptions are made through a person other than the legal representative(s) of the non-resident corporate entity, the power of attorney/mandate signed by the legal representatives of the non-resident corporate entity empowering the respective person to subscribe on behalf of the non-resident corporate entity in the Offered Shares (in original and in copy); and - IDs for the person making the subscription as legal representative or attorney in fact of the non-resident corporate entity: passport and proof of domicile if it's not stated on the passport, ID (for citizens of EU/EEA) (copy).
Non-resident corporate entities subscribing through a resident corporate entity	- Certificate of incorporation of the non-resident corporate entity issued by the Trade Registry or by any equivalent institution, if existing (copy); - Updated constitutive act of the non-resident corporate entity (copy certified as true to the original by the legal representatives of the non-resident corporate entity); - Certificate of current standing, in original, for the non-resident corporate entity evidencing the legal representatives of the non-resident entity issued by the

	Trade Registry or by an equivalent institution (issued no more than 30 business days prior to the date of subscription). If no authority or institution is authorised to issue such certificate, any corporate document evidencing the legal representatives of the non-resident corporate entity shall be submitted (issued no more than 30 business days prior to the date of subscription); such corporate document shall set out clearly whether the legal representatives are entitled to act individually or jointly; - Incorporation certificate for the representing resident corporate entity issued by the Trade Registry (copy); - Updated constitutive act of the representing resident corporate entity (copy certified for its conformity with the original by the legal representative of the legal person); - Certificate of current standing (*certificat constatator*), in original, for the representing resident corporate entity issued by the Trade Registry (not older than 30 business days prior to the date of subscription); - ID for the legal representative of the representing resident corporate entity subscribing on behalf of the non-resident corporate entity (original and copy); and - Power of attorney signed by the legal representative(s) of the non-resident corporate entity empowering the resident corporate entity to subscribe to the Offering (in original and in copy).
IFIs	- Constitutive act of the IFI or a copy of the Romanian law whereby Romania accepts or adheres to the constitutive act of the relevant IFI; - Power of attorney/Certificate empowering the person who will sign the Subscription Form to subscribe on behalf of the IFI (in original or notarised copy); and - ID for the person who signs the Subscription Form on behalf of the IFI (copy).
Resident/non-resident individual represented by an asset management company through a portfolio management mandate	- ID (copy), in case of resident individuals; - Passport and proof of domicile if it's not stated on the passport or ID for citizens of the EU/EEA (copy), in case of non-resident individuals; - Representation mandate (original and copy);
Documents for the asset management company	- Registration certificate issued by the Trade Registry (copy); - Updated constitutive act (copy certified for its conformity with the original by the legal representative of the legal person); - Original certificate of current standing (*certificat constatator*) issued by the Trade Registry (issued no more than 30 business days prior to the date of subscription); - Power of attorney/Mandate in original for the person signing the Subscription Form, issued as stipulated by the constitutive act, or proof that the person concerned is legally representing the subscribing corporate entity, with individual representation right (if the company is collectively represented by two or more persons who all are present for the signing of the Subscription Form, such proof shall be presented for all such persons) (power of attorney in original and any other documents certified for their conformity with the original by the legal representative of the legal entity); and - ID (original and copy) of the person subscribing in the name of the legal person.
Entities managed by other resident or non-resident corporate entities (e.g. Investment funds, pension funds)	- The documents listed below shall be submitted for the corporate entity that manages the respective entity and shall be accompanied by the authorisation received by the respective entity from the competent supervisory authority - Registration certificate issued by the Trade Registry (copy); - Updated constitutive act (copy certified for its conformity with the original by the legal representative of the legal person); - Original certificate of current standing (*certificat constatator*) issued by the Trade Registry (issued no more than 30 business days prior to the date of subscription);

	- Power of attorney/Mandate in original for the person signing the Subscription Form, issued as stipulated by the constitutive act, or proof that the person concerned is legally representing the subscribing corporate entity, with individual representation right (if the company is collectively represented by two or more persons who all are present for the signing of the Subscription Form, such proof shall be presented for all such persons) (power of attorney in original and any other documents certified for their conformity with the original by the legal representative of the legal entity); and - ID (original and copy) of the person subscribing in the name of the legal person

Raiffeisen Bank S.A., Alpha Finance Romania S.A. or the relevant Eligible Participant is entitled to request any additional documents for the purpose of carrying out its duty to comply with the "know your customer" rules, based on its internal norms and procedures of client identification.

Documents submitted by an investor in a language other than Romanian or English language shall be accompanied by a notarised translation thereof in Romanian or English language.

In case of investors without legal personality, the identification documents of the management company must be submitted.

Change and Withdrawal of Subscriptions

Institutional Investors may change the number of subscribed Offered Shares or withdraw their initial subscription of Offered Shares until and including the last day of the Offer Period. Retail Investors may not change or withdraw any subscriptions for Offered Shares unless the Prospectus is subject to a supplement.

If the Prospectus is subject to a supplement, subscriptions may be withdrawn by any Retail or Institutional Investor within 2 (two) Business Days from the date when the respective supplement to the Prospectus is published.

If a supplement to the Prospectus is published, the change or withdrawal of subscriptions by Institutional Investors will be subject to the same submission, processing and validation requirements as the ones for the initial subscription.

Retail Investors may withdraw their subscriptions for Offered Shares by submitting a duly filled in subscription revocation form at the same unit of Raiffeisen Bank S.A., Alpha Finance Romania S.A. or of the Eligible Participant through which the subscription was made.

The change of subscriptions by Retail Investors may be done by withdrawing the initial subscription and submission of new subscriptions subject to the same submission, processing and validation requirements as the ones for the initial subscription.

If subscriptions are withdrawn, investors shall be reimbursed the entire amount paid by them corresponding to the withdrawn subscriptions, in each case less any bank transfer commissions and any applicable commissions charged by the relevant market institutions, to the bank account indicated by each investor for the reimbursement of any such amounts, within maximum 5 (five) Business Days as of the date the relevant subscriptions have been withdrawn by the investors. No interest shall be payable to investors in respect of such amounts.

If an investor has indicated more than one account for the reimbursement of any such amounts, the whole amount may be reimbursed to only one of the accounts indicated by the investor. The Managers will not be liable for any failure to transfer the amounts corresponding to withdrawn subscriptions which occur as a result of the information provided by an investor for such purposes having been incomplete or incorrect.

Allocation of the Offered Shares

The subscribed Offered Shares will be allocated to investors by the Selling Shareholders, in close consultation with the Joint Bookrunners, on the Allocation Date.

In agreement with the Joint Bookrunners, the Selling Shareholders may re-allocate Offered Shares from one Offer Tranche to the other Offer Tranche on the basis of the subscription level in each Offer Tranche. The final number of Offered Shares and the final size of each Offer Tranche will be decided by the Selling Shareholders in agreement with the Joint Bookrunners, based on the level of subscriptions in the Book, on the Allocation Date.

Allocation of Offered Shares within the Retail Tranche

If the number of Offered Shares validly subscribed within the Retail Tranche is lower than, or equal to, the Offered Shares allocated to the Retail Tranche (as determined on the Allocation Date), each Retail Investor will receive the number of subscribed Offered Shares.

If the number of Offered Shares validly subscribed within the Retail Tranche is higher than the Offered Shares allocated to the Retail Tranche, the Offered Shares from the Retail Tranche will be allocated to each Retail Investor proportionally to the number of Offered Shares subscribed by such investor (pro-rata allocation).

If the number of Offered Shares allocated to a subscription after the pro rata allocation is not an integer, the number of Offered Shares allocated to the relevant subscription shall be rounded down to the immediately lower integer.

For the purpose of allocating any remaining Offered Shares (resulting from such rounding down of the number of Offered Shares within the process of pro rata allocation), Retail Investors shall be ranked in decreasing order based on the number of Offered Shares subscribed by each of them and, if one or more Retail Investors subscribed the exact number of Offered Shares they will be ranked in increasing order based on the time stamp in the BSE electronic system associated with their trading order, and the resulting unallocated Offered Shares shall be allocated one per Retail Investor (but so that the number of Offered Shares allocated in aggregate to a subscription does not exceed the number of Offered Shares initially requested through that subscription), starting with the largest allocation.

In case of over-subscription, Retail Investors will be reimbursed the difference between the amount paid for the subscribed Offered Shares and the Final Offer Price of the allocated Offered Shares (less the bank transfer commissions and any applicable commissions of the relevant market institutions) as detailed in "*Offer Price – Final Offer Price*" above.

Shares allocated to Retail Investors will be automatically transferred into "Section 1" of the Romanian CSD on the Settlement Date, except for the Offered Shares allocated to those Retail Investors who have a valid investment services contract with Raiffeisen Bank S.A., Alpha Finance Romania S.A. or with the Eligible Participant through which they have subscribed.

Allocation of Offered Shares within the Institutional Tranche

The Selling Shareholders will determine, in close consultation with the Joint Bookrunners, the number of Offered Shares allocated to each Institutional Investor, on the basis of the Book.

When allocating the Offered Shares within the Institutional Tranche, the Selling Shareholders and the Joint Bookrunners may consider, among others, certain qualitative criteria such as: investment policy; number of subscribed Offered Shares and support of the Offering; whether the subscription was received at the beginning of, or early in, the Offer Period; the price offered for the Offered Shares; qualitative feedback during the pre-deal investor education process; focus on the food service sector and/or on the Central and Eastern European region; assets under management; equity investments in Romania or Central and Eastern European; other criteria that allow a high quality investor base and a positive evolution of the market price after the closing of the Offering.

By subscribing in the Offering, Institutional Investors acknowledge and agree that they may be allocated fewer Offered Shares than they have subscribed for or they may receive no Offered Shares at all. Institutional Investors also acknowledge and agree that they will have no right to request, and the Selling Shareholders and the Managers shall have no obligation to disclose, the reasons for their allocation and pricing decisions.

Transaction

Orders corresponding to validated subscriptions for Offered Shares made by the Retail Investors are entered by Raiffeisen Bank S.A., Alpha Finance Romania S.A. and the Eligible Participants into the relevant segment of the public offerings market of the BSE anytime during the Offer Period and until 18:00 (Romania time) on the last day of the Offer Period. The Sole Global Coordinator can extend this period to the extent necessary.

On the Transaction Date the orders corresponding to the Offered Shares allocated to the Institutional Investors shall be registered in the relevant segment of the public offerings market of the BSE, exclusively in accordance with the allocations made by the Selling Shareholders in close consultation with the Joint Bookrunners, provided that the corresponding subscriptions are validated and the payment, settlement commitment or bank guarantee letter for the allocated Offered Shares has been received.

The allocation of the Offered Shares made by the Selling Shareholder in close consultation with the Joint Bookrunners is mandatory and is legally binding for the Institutional Investors.

On the Transaction Date, the Managers will place the sell orders for the Offered Shares in the BSE.

In circumstances where, until the hour on the Transaction Date indicated by the Sole Global Coordinator there will be Institutional Investors that have not guaranteed the payment of the Offered Shares allocated to them using any of the options detailed in "*Subscription of Offered Shares by Institutional Investors – Subscription documentation for Institutional Investors*", the Manager through which that Institutional Investor subscribed will re-allocate the relevant Offered Shares to other Institutional Investor(s), with the latter's consent and provided that such Institutional Investor(s) can guarantee the payment for the additionally allocated Offered Shares, as described above, until the time limit set by the Sole Global Coordinator. The Managers will carry out the trades related to the Offered Shares through the BSE markets dedicated for the transactions of public offerings on the Transaction Date.

Settlement

Settlement of the allocated Offered Shares will be made through the Romanian CSD clearing settlement system on the Settlement Date.

Placement Agreement

The Company, the Selling Shareholders and the Managers will enter into the placement agreement on or around the date of this Prospectus (the "**Placement Agreement**") and each Manager will severally agree to use its reasonable endeavours to procure, as agent for the Selling Shareholders, purchasers for the Offered Shares and not, for the avoidance of doubt, in any circumstance to subscribe for any Offered Shares themselves.

Under the Placement Agreement, the Company and the Selling Shareholders will give certain customary representations and warranties (including, as appropriate, in relation to the Company's business, financial statements and legal compliance in relation to the Offered Shares and in relation to the contents of this Prospectus) and indemnities to the Managers in connection with the Offering. The obligations of the parties to the Placement Agreement will be subject to certain conditions that are typical for an agreement of this nature, including, amongst other, the accuracy of the representations and warranties under the Placement Agreement and the execution of a pricing agreement between the Selling Shareholders and the Managers in relation to the Final Offer Price on or around the Allocation Date.

The Managers will be able to terminate the Placement Agreement at any time prior to the first trading of trading in Shares in certain specified circumstances that are typical for an agreement of this nature.

Stabilisation

The Selling Shareholders have agreed, pursuant to the Placement Agreement, that Wood and Raiffeisen (the "**Stabilising Managers**") will undertake stabilisation actions as further detailed below, for the purpose of supporting the market price of the Shares at a level higher than that which might otherwise prevail in an open market for a limited period.

The Selling Shareholders anticipate that in connection with the Offering the Stabilising Managers will have the right to acquire not more than 983,175 Shares on the regular market of the BSE in order to stabilise the price of the Shares at a level higher than that which may otherwise prevail if stabilisation actions were not taken. The acquisition by the Stabilising Managers of the Shares as part of stabilisation transactions shall be conducted in accordance with all European and national applicable laws and regulations. The stabilisation activities may be carried out for no longer than 30 days as of the date when trading in the Shares commences on the BSE (the "**Stabilisation Period**") at a price not higher than the Final Offer Price. The Stabilising Managers will not, however, be required to take any of the above stabilisation actions. If such actions are taken by the Stabilising Manager, they may be discontinued at any time, however, not later than before the end of the Stabilisation Period.

In the context of Stabilisation, the Selling Shareholders have agreed to grant to the Stabilising Managers a put option according to which a number of up to 983,175 Shares shall be transferred to the Selling Shareholders by the Stabilising Managers but not more than the actual number of Shares bought by the Stabilising Managers on the BSE for the stabilisation purposes. In connection with the stabilising actions that may be performed by the Stabilising Managers, the Selling Shareholders have agreed in the Placement Agreement, that the Stabilising Managers will retain 10% out of the gross proceeds obtained by the Selling Shareholders from the Offering to finance the stabilising actions.

No assurance may be given that stabilisation actions, if taken, will bring the expected results.

Lock-Up Arrangements

Pursuant to the Placement Agreement the Company will agree with the Managers that it will not, and each of the Company's BoD members will ensure that the Company will not, without the prior written consent of the Sole Global Co-ordinator (on behalf of and after consultation with the Managers), which consent shall not to be unreasonably withheld, during a period of 180 days after the Closing Date (the "**Lock Up Period**"), directly or indirectly: (a) issue, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Shares or any interest in Shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or any interest in Shares or file any registration statement under the Issuers and Markets Operations Law or file or publish any prospectus with respect to any of the foregoing; or (b) enter into any swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of the Shares, whether any such swap or transaction described in (a) or (b) is to be settled by delivery of the Shares or such other securities, in cash or otherwise.

Closing Date means the date for admission of Shares to trading on the BSE, expected to be on or around 8 November 2017, or (if admission does not become effective on that date) at such other time (being the date on which admission does become effective) as the Company and the Joint Bookrunners may agree in writing.

The above restrictions do not apply to any purchase by the Company of Shares and subsequently to the allocation/transfer of the Shares so acquired to BoD members and/or its managers, in each case under any share incentive plan the Company may decide to implement.

At the same time, pursuant to the Placement Agreement, the current shareholders of the Company will agree with the Managers, acting severally and not jointly, that none of them, acting severally and not jointly, nor any person acting on their behalf will, without the prior written consent of the Sole Global Co-ordinator (on behalf of and after consultation with the Managers), which consent shall not to be unreasonably withheld, during the Lock Up Period, directly or indirectly: (a) offer, sell, lend, assign, mortgage, pledge, charge, contract to sell or otherwise transfer or dispose of (or publicly announce any such action), directly or indirectly, any Shares, other equity securities of the Company or any securities convertible or exchangeable into or exercisable for any equity securities of the Company or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or depositary receipts representing the right to receive any such securities; or (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of any equity securities of the Company or enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to enter into any transaction described above, whether any such transaction described in (a) or (b) is to be settled by delivery of Shares or such other securities, in cash or otherwise.

For the avoidance of doubt, the above restrictions do not apply to the Shares acquired during the Stabilisation Period for stabilisation purposes.

The Sole Global Co-ordinator undertakes to respond to a waiver request within 3 Business Days as of the receipt of the waiver application; failure to observe the three Business Days response deadline will be construed and interpreted as tacit acceptance of granting the waiver.

Other Relationships

The Managers and their respective affiliates may have engaged in transactions with, and performed various investment banking, commercial banking, financial advisory and other services for, the Company and the Selling Shareholders and their respective affiliates, for which they received customary fees. The Managers and their respective affiliates may provide such services for the Company and the Selling Shareholders and their respective affiliates in the future.

In connection with the Offering, each of the Managers and any affiliate, acting as an investor for its own account may take up the Offered Shares and in that capacity may retain, purchase or sell for its own account such Offered Shares and any related investments and may offer or sell such Offered Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to the Offered Shares being offered or placed should be read as including any offering or placement of Offered Shares to the Managers and any affiliate acting in such capacity. None of the Managers intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, in connection with the Offering, certain of the Managers may enter into financing arrangements with investors, such as share swap arrangements or lending arrangements where securities are used as collateral, which could result in such Managers acquiring shareholdings in the Company.

SELLING AND TRANSFER RESTRICTIONS

General

The distribution of this Prospectus and the offering of the Shares in certain jurisdictions may be restricted by law and, therefore, persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Prospectus does not constitute an offer to subscribe for or purchase any of the Shares offered hereby to any person in any jurisdiction where it is unlawful to make such offer or solicitation in such jurisdiction.

Subscribers for or purchasers of the Offered Shares may be required to pay stamp duty and other charges in accordance with the laws and practices of the country of subscription or purchase, as the case may be, in addition to the Final Offer Price.

No public offering outside Romania

No action has been or will be taken in any country or jurisdiction (other than in Romania) that would permit a public offering of the Offered Shares or possession or distribution of this Prospectus (or any other offering or publicity material relating to the Offered Shares) in any country or jurisdiction where action for that purpose is required or doing so may be restricted by law.

This Prospectus may only be distributed to the public and the Offered Shares may only be offered for sale or purchase in Romania in compliance with the Issuers and Markets Operations Law, the Romanian National Securities Commission Regulation no. 1/2006 on issuers and operations with securities, Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC with respect to information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and the dissemination of advertisements, and other applicable mandatory provisions of law.

European Economic Area

In relation to each member state that has implemented the Prospectus Directive (each, a "**Relevant Member State**") (except for Romania), with effect from and including the date on which the Prospectus Directive is implemented in that member state (the "**Relevant Implementation Date**"), the Offered Shares may not be offered to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, the Offered Shares may be offered to the public in that Relevant Member State under the following exemptions under the Prospectus Directive:

(i) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(ii) at any time to any legal entity which has two or more of: (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than EUR 43 million; and (c) an annual net turnover of more than EUR 50 million, as shown in its last annual or consolidated accounts

(iii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Managers for any such offer; or

(iv) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Offered Shares shall result in a requirement for the publication by the Company, the Selling Shareholders, any Manager or the Financial Adviser of a prospectus pursuant to Article 3 of the Prospectus Directive.

This Prospectus has been approved by the FSA and it has not been, and will not be, approved by or notified to any other competent authority of any other country, state or jurisdiction.

For the purposes of this section, the expression "**offer of Shares**" in relation to any of the Offered Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe for the

Offered Shares as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member state.

Each subscriber for or purchaser of the Offered Shares in the Offering located within a Relevant Member State (other than Romania) will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)I of the Prospectus Directive. The Company, the Selling Shareholders, the Managers, their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement, and agreement.

United States of America

The Offered Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States of America and, consequently, may not be offered or sold within the United States. The Offered Shares may be offered or sold outside the United States in offshore transactions pursuant to Regulation S under the Securities Act. Terms used in this paragraph that are defined in Regulation S are used herein as so defined.

Regulation S

Each purchaser of the Offered Shares outside the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged as follows. The purchaser:

(i) Is aware that the sale of the Offered Shares is being made pursuant to and in accordance with Rule 903 or 904 of Regulation S;

(ii) Is, or at the time such Offered Shares are purchased will be, the beneficial owner of those Offered Shares;

(iii) Is, and the person, if any, for whose account it is acquiring such Offered Shares is, located outside the United States (within the meaning of Regulation S) and is purchasing the Offered Shares in an offshore transaction meeting the requirements of Regulation S;

(iv) Is not an affiliate of the Company or of any of the Selling Shareholders or a person acting on behalf of such an affiliate;

(v) Understands that the Offered Shares have not been and will not be registered under the Securities Act with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, resold, pledged or otherwise transferred except for an offshore transaction in accordance with Rule 903 or 904 of Regulation S; and

(vi) Acknowledges that the Company, the Selling Shareholders, the Managers, the Financial Adviser and each of their respective affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs.

The Company will not recognise any resale or other transfer, or attempted resale or other transfer, in respect of the Offered Shares made other than in compliance with the above stated restrictions.

Other Jurisdictions

The Shares have not been and will not be registered under the applicable securities laws of Australia, Canada or Japan. The Shares may not be offered or sold in Australia, Canada or Japan or to or for the account or benefit of any resident of the United States, Australia, Canada or Japan.

LEGAL MATTERS

Sphera and the Selling Shareholders were assisted on the Romanian law matters of the Offering by by Schoenherr și Asociații SCA.

The Managers were assisted on the Romanian law matters of the Offering by Radu Tărăcilă Pădurari Retevoescu SCA in association with Allen & Overy LLP.

INDEPENDENT AUDITORS

Ernst & Young Assurance Services S.R.L., independent auditors, has audited the USFN (Romania) Annual Financial Statements and the ARS (Romania) Annual Financial Statements and issued unqualified audit reports on those financial statements as stated in their reports appearing therein.

Ernst & Young Assurance Services S.R.L., independent auditors has reviewed, but not audited, ARS (Romania) Interim Financial Statements and Sphera Interim Financial Statements and issued unqualified review reports on those financial statements as stated in their reports appearing therein.

Ernst & Young Assurance Services S.R.L. reported on the Pro forma consolidated financial information of Sphera Franchise Group S.A. for the periods from 1 January 2014 to 31 December 2014, 1 January 2015 to 31 December 2015, 1 January 2016 to 31 December 2016, and 1 January 2017 to 30 June 2017 included in the Prospectus, and provided unqualified reports on the Pro Forma consolidated financial information.

Ernst & Young Assurance Services S.R.L., with its business address at 15-17 Ion Mihalache Bd., district 1, Bucharest Tower Center Building, 21st floor, Bucharest, Romania, is registered with the Bucharest trade registry under no. J40/10259/1992, having sole registration code 11909783, and is a member of the Chamber of Financial Auditors of Romania, being registered in the Public Registry of Financial Auditors.

Ernst & Young Assurance Services S.R.L. has given and not withdrawn its written consent to the inclusion of its reports in this Prospectus in the form and format in which such reports are presented and to the references to its name in the form and context in which it appears in this Prospectus.

For the purposes of Commission Regulation (EC) 809/2004, Ernst & Young Assurance Services S.R.L. has stated that it is responsible for the reports that are part of this Prospectus and declare that they have taken all reasonable care to ensure that the information in the reports is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) 809/2004.

GENERAL INFORMATION

Listing and Trading

Shares are intended to start trading on the spot regulated market operated by the BSE on or around 8 November 2017. At the date of this Prospectus, the Company has filed with the BSE a provisional application for admission to trading together with this Prospectus, in accordance with the applicable law.

Authorisations

The Company has approved the Prospectus by way of BoD decision dated 15 October 2017, EGSM resolution date 16 October 2017, and BoD decision and EGSM resolution dated 20 October 2017.

The Company has approved the admission of the Shares to trading on the spot regulated market operated by the BSE by way of EGSM resolution of 15 September 2017.

Lunic (Cyprus) has approved the offering of and sale of up to 8,667,773 Shares in the Offering based on this Prospectus, by way of sole director resolution dated 11 October 2017.

MBL (Romania) has approved the offering of and sale of up to 1,163,980 Shares in the Offering based on this Prospectus, by way of the sole shareholder decision dated 11 October 2017.

Identification of the Selling Shareholders

The Selling Shareholders are:

(i) Lunic Franchising and Consulting Ltd, a company organized and existing under the laws of Cyprus, registered under no. HE 80898, with registered office at Riga Feraiou no. 2, Limassol Center, Block B, 4th floor, office 406, 3095 Limassol, Cyprus; and

(ii) M.B.L. Computers S.R.L., a company organized and existing under the laws of Romania, registered with the Bucharest Trade Registry under No. J40/6119/1991, having its registered office at 15 Fabrica de Glucoză street, Bucharest, Romania.

Lunic (Cyprus) offers a number of up to 8,667,773 Shares in the Offering, while MBL (Romania) offers a number of up to 1,163,980 Shares in the Offering.

Documents Available for Inspection

During the term of this Prospectus, the following documents will be available to investors at the registered seat of the Company in Bucharest, Romania at 239 Calea Dorobanți str., 2nd floor, office 4, district 1 during the regular business hours of the Business Days in Romania and are published on the Company's website at www.spheragroup.com:

(i) Articles of Association;

(ii) Group Financial Statements, including the audit/review reports issued in connection with the Group Financial Statements; and

(iii) Pro forma Financial Information of Sphera for the periods from 1 January 2014 to 31 December 2014, 1 January 2015 to 31 December 2015, 1 January 2016 to 31 December 2016, and 1 January 2017 to 30 June 2017 and the auditor's reports thereon.

The Prospectus, including any supplements thereto, will be made available on the Company's website at www.spheragroup.com.

Significant Change Statement

Since 30 June 2017, there has been no significant change in the financial or trading position of the Group.

Information not applicable to the Prospectus in accordance with Annex I and Annex III of Regulation (EC) no. 809/2004

The following sections of Annexes I and III of Regulation (EC) 809/2004, based on which this Prospectus has been drawn up, are not applicable to the Company and/or to the Shares:

- Annex I: 2.2, 6.1.2, 6.3, 10.4, 11, 13, 15.2, 17.3, 20.4.2, 21.1.2-21.1.6, 21.2.6.
- Annex III: 4.6, 4.7, 4.9, 4.10, 5.1.10, 5.2.2, 5.2.3 b), d), e) and f), 5.2.5, 5.3.3, 5.3.4, 5.4.2, 5.4.4, 6.2, 6.3, 6.4, 9.1, 9.2.

DEFINITIONS AND GLOSSARY OF SELECTED TERMS

Allocation Date	Date when the Offered Shares will be allocated, identified in section "*Subscription and Sale—Offering Summary*" of this Prospectus
Anasa (Romania)	Anasa Properties S.R.L., a company organized and existing under the laws of Romania, registered with the Bucharest trade registry under no. J40/8931/2013, having its registered office at 239 Calea Dorobanti, office 1, 2nd floor, district 1, Bucharest, Romania
ANEVAR	National Association of Authorised Valuers in Romania
ARS (Romania)	American Restaurant System S.A. a company organized and existing under the laws of Romania, registered with the Bucharest trade registry under no. J40/19307/1994, having its registered office at 5-7 Calea Dorobanti, ground floor, building C, D and the terrace, office 79, district 1, Bucharest, Romania.
AoAs	Company's articles of association, in force on the date of this Prospectus
BoD	Company's Board of Directors, regardless of its composition from time to time
Brand Image Tracker	A brand research company that conducts longitudinal studies to examine the attitudes toward and awareness of a brand over a period of time
BSE	Bucharest Stock Exchange S.A., operator of the spot regulated market, with headquarters at 34-36 Carol I Boulevard, 14th floor, 2nd district, Bucharest, Romania
Business Day	A day in which both the Romanian interbanking market and the trading system of the BSE are opened for business
California Fresh Flavors (Romania)	California Fresh Flavors S.R.L., limited liability company organised and existing under the laws of Romania, registered with the Bucharest trade registry under number J40/9570/2017, with registered seat in 239 Calea Dorobanti, 2nd floor, room 11, district 1, Bucharest, Romania
Issuers and Markets Operations Law	Law no. 24/2017 on issuers of financial instruments and market operations, as amended and supplemented
CEE	Central and Eastern Europe
Coca-Cola Romania	Coca-Cola HBC Romania S.R.L., a company organized and existing under the laws of Romania, registered with Ilfov trade registry under no. J23/2300/2009, sole registration code 474152, with registered seat in Voluntari, șoseaua București Nord no. 10, O23 building, 1st floor, Ilfov County, Romania
Company or Sphera	Sphera Franchise Group S.A., a joint stock company incorporated under the laws of Romania, registered with the Bucharest trade registry under number J40/7126/2017, sole registration code 37586457, with registered seat in 239 Calea Dorobanți str., 2nd floor, office 4, district 1, Bucharest, Romania
Companies Law	Law no. 31/1990 on companies, republished, as amended and supplemented
Deloitte Analysis	Analysis performed by Deloitte Consultanta SRL, based on publicly available information; the Deloitte Analysis is part of a larger market study report, which has been prepared for the internal use of Sphera
EEA	European Economic Area
EGSM or the Extraordinary General Shareholders Meeting	The Company's extraordinary general shareholders' meeting
Financial Adviser or Rothschild	N M Rothschild & Sons Limited
EU	European Union

Final Offer Price	The price at which the Offered Shares will be sold within the Offering, in accordance with the provisions of the section "*Subscription and Sale*" of this Prospectus
Fiscal Code	Law no. 227/2015 on the fiscal code, as amended and supplemented
FSA	Financial Supervisory Authority
FSC	Forest Stewardship Council, a global not-for-profit organization that sets the standards for what is a responsibly managed forest, both environmentally and socially
GDP	A country's gross domestic product
GEO	Government Emergency Ordinance
Golin Harris Romania	Golin Harris Public Relations S.A., a company organized and operating under Romanian law, registered with the Bucharest trade registry under the no. J40/4863/1998, sole registration code 10596424, with registered seat in 89-97 Grigore Alexandrescu street, building B, 4th floor, module A, district 1, Bucharest, Romania
Group	The Company together with its subsidiaries, as presented in section "*Business—Corporate Structure*" of this Prospectus
Havi (Romania)	HAVI Logistics S.R.L., a company organized and existing under the laws of Romania, registered with the Bucharest trade registry under no. J40/2734/1995, having its registered office at 35-45 Intrarea Straulesti, district 1, Bucharest, Romania
IFRS	The International Financial Reporting Standards adopted by the European Union via the Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council
IFRS 3	IFRS 3 (*Business Combinations*) outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger)
IT	Information technology systems
Lunic (Cyprus)	Lunic Franchising and Consulting Ltd, a company organized and existing under the laws of Cyprus, registered under no. HE 80898, with registered office at Riga Feraiou no. 2, Limassol Center, Block B, 4th floor, office 406, 3095 Limassol, Cyprus, a Selling Shareholder
Managers	Wood & Company Financial Services a.s., as Sole Global Coordinator and Joint Bookrunner, Raiffeisen Bank S.A. as Joint Bookrunner and Alpha Finance Romania S.A., as Co-Lead Manager.
Markets in Financial Instruments Directive	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC
MBL (Romania)	M.B.L. Computers S.R.L., a company organized and existing under the laws of Romania, registered with the Bucharest trade registry under no. J40/6119/1991, having its registered office at 15 Fabrica de Glucoză street, Bucharest, Romania, as Selling Shareholder.
Member State	Member State of the European Union
NBR	National Bank of Romania
Norms	The Fiscal Code application norms, approved via the Government Decision no. 1/2016 on the Norms for the application of the Fiscal Code, as amended and supplemented
NSVFSA	National Sanitary Veterinary and Food Safety Authority in Romania
Offer Period	The period during which the Offer Shares will be offered for subscription based on this Prospectus, as provided for in section "*Subscription and Sale—Offering Summary*" of this Prospectus

Offer Tranches	The tranches of the Offering, as such are described in section "*Subscription and Sale—Offer Tranches*" of this Prospectus
Offered Shares	An aggregate number of up to 9,831,753 nominative, ordinary shares in the Company, offered as follows: (1) up to 8,667,773 ordinary shares in the Company by Lunic (Cyprus); and (2) up to 1,163,980 ordinary shares in the Company by MBL (Romania); in the initial public offering initiated based on this Prospectus
Offering	The initial public offering of the Offered Shares on the basis of this Prospectus
OGSM or the Ordinary General Shareholders Meeting	The Company's ordinary general shareholders' meeting
Parent Subsidiary Directive	Council Directive 2011/96/EU of 30 November 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States
Polin	Polin International S.R.L., a company organized and existing under the laws of Romania, registered with the Bucharest trade registry under no. J40/1417/2008, with registered seat in 11 Jean Steriadi street, Bucharest, Romania
Prospectus	This prospectus, as approved by the FSA
Prospectus Directive	Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, and includes any relevant implementing measure in each Relevant Member State of the EEA and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.
R.A.-A.P.P.S	Regia Autonomă – Administrația Patrimoniului Protocolului de Stat, a legal person registered with Bucharest Trade Registry under no. J40/234/1991, sole registration code RO 2351555, with registered seat in 6-8 Moliere street, Bucharest, Romania
Regulation no. 1/2006	The Regulation of the National Securities Commission (currently, the FSA) no. 1/2006 on issuers and securities transactions
Regulation no. 1215/2012	Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters
Regulation S	Regulation S from the Securities Act in place in the United States of America
Romanian CSD	Depozitarul Central S.A., the entity operating the Romanian Clearing Settlement, Custody, Depository and Registration System for financial instruments listed on the BSE, with registered seat at 34/36 Carol I bd., floors 3, 8 and 9, district 2, Bucharest, Romania
Qualified Investors	The qualified investors, as defined by Article 2(1)(e) of the Prospectus Directive as implemented by Article 2 (21) of the Issuers and Markets Operations Law, respectively (i) professional investors or (ii) persons qualified upon request as professional investors or eligible counterparties, in accordance with the applicable law.
Placement Agreement	The placement agreement entered into on or about the date of this Prospectus between the Selling Shareholders, the Company and the Managers, having as main object the performance of the Offering with a view to admission of the Company's shares to trading on the spot regulated market operated by the BSE
Relevant Implementation Date	The date when the Prospectus Directive was implemented in any Relevant Member State
Relevant Member State	EEA Member State that implemented the Prospectus Directive
Selling Shareholders	Lunic (Cyprus) and MBL (Romania)
Shares	Any and all ordinary nominative shares issued from time to time by the Company in dematerialised form

Stabilising Managers	Wood & Company Financial Services a.s. and Raiffeisen Bank S.A.
Subscription Form	Subscription form for the Offered Shares, as defined in section "*Subscription and Sale*" of this Prospectus
Tatika (Cyprus)	Tatika Investments Ltd., a company organized and existing under the laws of Cyprus, registered under no. HE 101319, with registered office at Evagorou & Menandrou, 1, Frosia Building, 3rd floor, P.C. 1066 Nicosia, Cyprus
Transaction Date	The date when the transactions related to the Offered Shares will take place, identified in section "*Subscription and Sale—Offering Summary*" of this Prospectus
USFN Group	USFN (Romania), USFN (Moldova) and USFN (Italy)
USFN (Italy)	US Food Network S.R.L., a company organised and existing under the laws of Italy, registered with the Milan trade registry under no. 09681280963with registered seat in Milano, Via Pietro Paleocapa no. 6, 20121, Italy
USFN (Moldova)	US Food Network S.R.L., a company organised and existing under the laws of the Republic of Moldova, registered under fiscal registration number (IDNO) 1008600044173, with registered seat in Chisinau, Buiucani district, 45 Bănulescu-Bodoni str., Republic of Moldova
USFN (Romania)	US Food Network S.A., a company organized and existing under the laws of Romania, registered with the Bucharest trade registry under no. J40/24660/1994, having its registered office at 28-30 Gheorghe Magheru bd., district 1, Bucharest, Romania
Wellkept (Romania)	Wellkept Group S.A., a company organized and existing under the laws of Romania, registered with the Bucharest trade registry under no. J40/6207/2005, having its registered office at 5-7 Calea Dorobanti, 2nd floor, office 5, district 1, Bucharest, Romania

THE COMPANY

Sphera Franchise Group S.A.
239 Calea Dorobanți, 2nd floor, office 4, District 1,
Bucharest,
Romania

SELLING SHAREHOLDERS

Lunic Franchising and Consulting Ltd
2 Riga Feraiou, Limassol Center, Block B, 4th floor, office 406, 3095 Limassol,
Cyprus

M.B.L. Computers S.R.L.
15 Fabrica de Glucoză Street,
Bucharest,
Romania

SOLE GLOBAL COORDINATOR

Wood & Company Financial Services a.s.
Palladium, Náměstí Republiky, 1079/1a
110 00 Prague 1
Czech Republic

JOINT BOOKRUNNERS

Wood & Company Financial Services a.s.
Palladium, Náměstí Republiky, 1079/1a
110 00 Prague 1
Czech Republic

Raiffeisen Bank S.A.
Sky Tower Building, 246 C Calea Floreasca, District 1,
Bucharest,
Romania

CO-LEAD MANAGER

Alpha Finance Romania S.A.
237B Calea Dorobantilor, 2nd floor, District 1, Bucharest,
Romania

LEGAL ADVISERS TO THE COMPANY

Schoenherr şi Asociaţii SCA
30 Blvd. Dacia, District 1, 010413 Bucharest
Romania

LEGAL ADVISERS TO THE MANAGERS

Radu Tărăcilă Pădurari Retevoescu SCA in association with Allen&Overy LLP
Charles de Gaulle Plaza, 5th floor, 15 Charles de Gaulle Square
District 1, 011857 Bucharest
Romania

INDEPENDENT AUDITORS

Ernst & Young Assurance Services S.R.L.
Bucharest Tower Center Building, 21st Floor
15-17 Ion Mihalache Blvd., District 1, 011171 Bucharest,
Romania

FINANCIAL ADVISER

N M Rothschild & Sons Limited
London EC4N 8AL
United Kingdom

Sphera Franchise Group S.A.
the Company

____
Mark Nicholas Hilton, CEO

M.B.L. Computers S.R.L.

as Selling Shareholder

____
Adrian Neacşu

Sole Director

Lunic Franchising and Consulting Ltd

as Selling Shareholder

____
Ricardo-Marian David

Empowered person

APPENDIX 1 - DISTRIBUTION NETWORK OF RAIFFEISEN BANK S.A.

No	County	Name of the unit	City	Address
1	Alba	Ag. Alba	Alba Iulia	Piata Iuliu Maniu, Nr. 4, spatiu comercial I
2	Alba	Ag. Apullum	Alba Iulia	B-dul. Revolutiei 1989, Nr. 77, Bloc A19, Ap. 2
3	Alba	Ag. Sebes	Sebes	Str. Lucian Blaga, Nr. 47
4	Alba	Ag. Cugir	Cugir	Str. Al. Sahia, Nr. 19, Bloc 19, Scara E si F, Jud. Alba
5	Alba	Ag. Campeni	Campeni	Str. Calea Turzii, Nr. 1, subapartamentul III.1
6	Alba	Ag. Cetate	Alba Iulia	B-dul Victoriei, Nr. 25, Bl. 3CD
7	Alba	Ag. Aiud	Aiud	Str. Iuliu Maniu, Nr. 2
8	Alba	Ag. Ocna Mures	Ocna Mures	Str. 9 Mai, Nr. 3, jud. Alba
9	Alba	Ag. Blaj	Blaj	Str. Timotei Cipariu, Bloc T6
10	Arad	Ag. Arad	Arad	Str. Andrei Saguna, Nr. 1-3
11	Arad	Ag. Lipova	Lipova	Str. Nicolae Balcescu, Nr. 29
12	Arad	Ag. Sebis	Sebis	Bd-ul Republicii, Nr. 45A
13	Arad	Ag. Teatru	Arad	Str. Unirii, Nr. 1, Ap. 30
14	Arad	Ag. Radnei (Selgros)	Arad	Calea Radnei, Nr. 294
15	Arad	Ag. Ioan Slavici	Arad	Aleea Borsec, Nr. 2, Bl. 511, Sc. C, Ap. 17
16	Arad	Ag. Aurel Vlaicu	Arad	Str. Aurel Vlaicu, nr. 114, Bl. Z 20-a, Ap. 25
17	Arad	Ag. Aradul Nou	Arad	Aradul Nou, Bloc 5, Scara A, Ap. 17/b, Loc. Arad, Jud. Arad
18	Arad	Ag. Ineu	Ineu	Str. Republicii, Nr. 24
19	Arad	Ag. Curtici	Curtici	Strada Primariei, Nr. 58, Apartament nr. 2, Corp A
20	Arad	Ag. Podgoria	Arad	B-dul Revolutiei, Nr. 8, Bloc 8, Ap. 27
21	Arad	Ag. Chisineu Cris	Chisineu Cris	Str. Garii, Nr. 1/B
22	Arges	Ag. Arges	Pitesti	Calea Craiovei, nr. 42
23	Arges	Ag. Campulung	Campulung Muscel	Str. Negru Voda, nr. 117, bl 1, parter
24	Arges	Ag. Mioveni	Mioveni	Bdul Dacia, bl. V 2 B
25	Arges	Ag. Pitesti	Pitesti	Calea Bucuresti, Bl. U1-U2
26	Arges	Ag. Pitesti 2	Pitesti	Piata Vasile Milea, bl. A4, parter
27	Arges	Ag. Exercitiu	Pitesti	Str. Bibescu Voda, bl. A
28	Arges	Ag. Balcescu	Pitesti	Bd. Nicolae Balcescu, Str. Gh. Titeica, bloc S5, sc. Tronson D si E, Pitesti
29	Arges	Ag. Fratii Golesti	Pitesti	B-dul Petrochimistilor, Bloc B32
30	Arges	Ag. Topoloveni	Topoloveni	Str. Calea Bucuresti, Bl. P26
31	Arges	Ag. Curtea de Arges	Curtea de Arges	Str. Basarabilor, nr. 27-29
32	Arges	Ag. Ivancea	Curtea de Arges	Str. Albesti, Bloc Z2, parter
33	Arges	Ag. Domnesti	Domnesti	B-dul. Alexandru Ioan Cuza, Nr. 3, in incinta Casei de Cultura
34	Arges	Ag. Costesti	Costesti	Str. Victoriei, Bl. L21
35	Bacau	Ag. Bacau	Bacau	Str. Dumbrava Rosie, Nr. 2, Bacau, Jud. Bacau
36	Bacau	Ag. Cora Bacau	Bacau	Str. Milcov, Nr. 2A si 2-4, Spatiul G31, Bacau
37	Bacau	Ag. Comanesti	Comanesti	Str. Republicii, Nr. 22, Comanesti
38	Bacau	Ag. Onesti	Onesti	B-dul Oituz, Nr. 19, Onesti
39	Bacau	Ag. Vasile Alecsandri	Bacau	Str. Pasajul Revolutiei, Nr. 8, Zona A, Parter, Bacau, jud. Bacau
40	Bacau	Ag. George Bacovia	Bacau	Str. Unirii, Nr. 15, Sc. C
41	Bacau	Ag. Bradului (Selgros)	Bacau	Prelungirea Bradului, Nr. 135 B, Bacau
42	Bacau	Ag. Vasile Lupu	Bacau	Str. 9 Mai, Nr. 56, Sc. B, poz 1
43	Bacau	Ag. Castanilor	Bacau	Str. Marasesti, Nr. 165, Tronson 2
44	Bacau	Ag. Moinesti	Moinesti	Str. Tudor Vladimirescu, Nr. 177
45	Bacau	Ag. Buhusi	Buhusi	Str. Republicii, Nr. 1
46	Bihor	Ag. Bihor	Oradea	Str. Nufarului, Nr. 30
47	Bihor	Ag. Marghita	Marghita	Str. Republicii, Nr. 13
48	Bihor	Ag. Crisul Repede	Oradea	Str. Erofte Grigore, Nr. 22
49	Bihor	Ag. Vulturul Negru	Oradea	Piata Unirii, Nr. 2-4
50	Bihor	Ag. Dacia	Oradea	B-dul Dacia, Nr. 35, Bl. AN 55

51	Bihor	Ag. Oradea 4 (Selgros)	Oradea	Str. Ogorului, Nr. 65B
52	Bihor	Ag. Rogerius	Oradea	Str. Transilvaniei, Nr. 2
53	Bihor	Ag. Bulevard	Oradea	Str. Decebal, Nr. 66/A, Jud. Bihor
54	Bihor	Ag. Alesd	Alesd	Piata Unirii, Nr. 2
55	Bihor	Ag. Salonta	Salonta	Str. Libertatii, Nr. 1-3, Bl. A
56	Bihor	Ag. Corso	Oradea	Str. Republicii, Nr. 16
57	Bistrita Nasaud	Ag. Bistrita	Bistrita	Str. Liviu Rebreanu, Nr. 51
58	Bistrita Nasaud	Ag. Viisoara	Bistrita	Bistrita, Str. Independentei, Bloc D1, Scara D, Jud. Bistrita Nasaud
59	Bistrita Nasaud	Ag. Nasaud	Nasaud	Str. Granicerilor, Nr. 20
60	Bistrita Nasaud	Ag. Gloria	Bistrita	B-dul Decebal, Nr. 27
61	Bistrita Nasaud	Ag. Calea Moldovei	Bistrita	Calea Moldovei, Nr. 1, Scara C
62	Botosani	Ag. Botosani	Botosani	Calea Nationala, Nr. 68
63	Botosani	Ag. Nicolae Iorga	Botosani	B-dul George Enescu, Nr. 2
64	Botosani	Ag. Dorohoi	Dorohoi	B-dul Victoriei, Nr. 3-5, Bloc A1 si A3, zona B
65	Braila	Ag. Braila	Braila	Str. Calea Calarasilor, nr. 34
66	Braila	Ag. 1 Decembrie	Braila	Str. 1 Decembrie 1918, nr. 2
67	Braila	Ag. Panait Istrati	Braila	Piata Dorobanti, nr. 1, bl. 20B
68	Braila	Ag. Belvedere	Braila	Str. Dorobanti, nr. 31, Bl. A30
69	Braila	Ag. Vidin	Braila	Str. Galati, nr. 325, Bl. 2 (magazin nr. 34)
70	Braila	Ag. Piscului	Braila	Bulevardul Dorobantilor, nr. 621 Bloc 1, parter judetul Braila
71	Braila	Ag. Ianca	Ianca	Str. Calea Brailei, Bloc B3, zona A, jud. Braila
72	Braila	Ag. Viziru	Braila	Calea Calarasilor, nr. 319, Bl. B1, Viziru
73	Braila	Ag. Braila Vest (Selgros)	Braila	Str. Ramnicu Sarat, nr. 92, Braila
74	Brasov	Ag. Fagaras	Fagaras	Str. Republicii, Nr. 27
75	Brasov	Ag. Rupea	Rupea	Str. Republicii, Nr. 153
76	Brasov	Ag. Brasov	Brasov	Str. Harmanului, Nr. 24, Jud. Brasov, Zona A si Zona B, Zona C
77	Brasov	Ag. Calea Bucuresti	Brasov	Calea Bucuresti, Nr. 54
78	Brasov	Ag. Piata Sfatului	Brasov	Str. Piata Sfatului, Nr. 18
79	Brasov	Ag. Star	Brasov	Brasov, in cadrul Complexului Duplex 1, B-dul Nicolae Balcescu, Nr. 49, Jud. Brasov
80	Brasov	Ag. Codlea	Codlea	Str. Lunga, Nr. 117
81	Brasov	Ag. Sacele	Sacele	Piata Libertatii, Nr. 20
82	Brasov	Ag. Rasnov	Rasnov	Str. Republicii, Nr. 24, jud. Brasov
83	Brasov	Ag. Brasov 1 (Selgros)	Brasov	Calea Bucuresti, Nr. 231
84	Brasov	Ag. Racadau	Brasov	B-dul Muncii, Nr. 4, Sc. D
85	Brasov	Ag. Astra	Brasov	Libraria 19, Complex Astra I, Str. Saturn
86	Brasov	Ag. Tractorul	Brasov	Str. 1 Decembrie 1918, Nr. 8, Bl. 305,306,307, 308 si Str. Oltet nr. 29,31,33
87	Brasov	Ag. Barsei	Brasov	Str.Mihai Viteazul, Nr. 42, Bl. 62
88	Brasov	Ag. Zarnesti	Zarnesti	Str. Mitropolit Ioan Metianu, Nr. 4, zona A
89	Brasov	Ag. Bartolomeu (Altex)	Brasov	Str. Caramidariei, nr. 1
90	Bucuresti	Ag. Campineanu	Bucuresti	Str. Ion Campineanu, Nr. 33, Sector 1
91	Bucuresti	Ag. Bucuresti (persoane fizice)	Bucuresti	Calea Victoriei, nr. 224, bl. D5, Sector 1
92	Bucuresti	Ag. Bucuresti (persoane juridice)	Bucuresti	Str. Grigore Alexandrescu, nr. 4A, Sector 1
93	Bucuresti	Ag. Grivita	Bucuresti	Calea Grivitei, nr. 163, Sector 1
94	Bucuresti	Ag. Ion Mihalache	Bucuresti	Str. Ion Mihalache, nr. 109, bl 13 A, Sector 1
95	Bucuresti	Ag. Stirbei Voda	Bucuresti	Calea Stirbei Voda, nr. 152, bl. 26B
96	Bucuresti	Ag. Chibrit	Bucuresti	Calea Grivitei, Nr. 236, Sector 1
97	Bucuresti	Ag. Titulescu	Bucuresti	Bd. Nicolae Titulescu, nr. 18, bl. 23, Sector 1
98	Bucuresti	Ag. Magheru	Bucuresti	Strada Bdul. Nicolae Balcescu Nr. 23A, Sector 1
99	Bucuresti	Ag. Giulesti	Bucuresti	Calea Giulesti, nr. 123, Sector 6

100	Bucuresti	Ag. Pajura	Bucuresti	Str. Pajurei, Nr. 7, apartament SP. COM, Zona A, Sector 1
101	Bucuresti	Ag. Chitila	Bucuresti	Str. Chitilei, nr. 197, Sector 1
102	Bucuresti	Ag. Domenii	Bucuresti	Bdl Ion Mihalache, nr. 187, Bl. 4, ap. Sp. Com. Dreapta
103	Bucuresti	Ag. Bucurestii Noi	Bucuresti	Bdul Bucurestii Noi, Nr. 56, Bloc 56, Scara B, Sector 1
104	Bucuresti	Ag. Piata Amzei	Bucuresti	Piata Amzei, nr. 19, Sector 1
105	Bucuresti	Ag. Perla	Bucuresti	Bdul. Iancu de Hunedoara, Nr. 64, Bl. 12B, Sector 1, zona B
106	Bucuresti	Ag. Feeria	Bucuresti	Centrul comercial Baneasa Shopping City, Soseaua Bucuresti-Ploiesti 42D, Sector 1
107	Bucuresti	Ag. Baneasa (Selgros)	Bucuresti	Sos. Bucuresti-Ploiesti, nr. 55-65, Sector 1
108	Bucuresti	Ag. Calea Dorobanti	Bucuresti	Calea Dorobanti, nr. 134, Sector 1
109	Bucuresti	Ag. Dorobanti	Bucuresti	Piata Dorobanti, nr. 1, Sector 1
110	Bucuresti	Ag. Pipera	Bucuresti	Bdul. Dimitrie Pompei, nr. 9-9A, Sector 2
111	Bucuresti	Ag. Aviatiei	Bucuresti	Sos. Pipera, Nr. 21-23, Bl. E3, Sector 1
112	Bucuresti	Ag. Aerogarii	Bucuresti	B-dul. Aerogarii, nr. 2-8, bloc II 1, zona A, Sector 1
113	Bucuresti	Ag. Lizeanu	Bucuresti	Sos. Stefan cel Mare, nr. 52, bl. 36, Sector 2
114	Bucuresti	Ag. Lacul Tei	Bucuresti	Strada Lacul Tei, nr.75, bl. 16, zona A, Sector 2
115	Bucuresti	Ag. Barbu Vacarescu	Bucuresti	Sos. Stefan Cel Mare, Nr. 24, Bloc 24B, zona A, Sector 2
116	Bucuresti	Ag. Teiul Doamnei	Bucuresti	Strada Teiul Doamnei Nr. 15, Bloc 37, Zona A, Sector 2
117	Bucuresti	Ag. Piata Presei	Bucuresti	P-ta Presei Libere, nr. 3-5, cladirea City Gate, Turnul de Nord, Sector 1
118	Bucuresti	Ag. Friedrich Wilhelm	Bucuresti	Str. Roma, nr. 37, Sector 1
119	Bucuresti	Ag. Promenada (mall)	Bucuresti	Calea Floreasca, Nr. 246B, Sector 1
120	Bucuresti	Ag. Floreasca City Center	Bucuresti	Calea Floreasca, Nr. 246D, Sector 1
121	Bucuresti	Ag. Colentina	Bucuresti	Sos. Colentina, nr. 24, Sector 2
122	Bucuresti	Ag. Rosetti	Bucuresti	Piata Rosetti, nr. 4, Sector 2
123	Bucuresti	Ag. Obor	Bucuresti	Sos. Colentina, nr. 1, bloc 34, Sector 2
124	Bucuresti	Ag. Armeneasca	Bucuresti	Calea Mosilor, Nr. 256-258, Bloc 4Bis, Sector 2
125	Bucuresti	Ag. Bratianu	Bucuresti	Str. Lipscani, nr. 90A, Sector 3
126	Bucuresti	Ag. Iancului	Bucuresti	Sos. Iancului, nr. 2, Bl. 113C
127	Bucuresti	Ag. Mosilor (dedicata PJ)	Bucuresti	Calea Mosilor, nr. 221, Bl. 31A, Corp A, Sector 2
128	Bucuresti	Ag. Delfinului	Bucuresti	Sos. Pantelimon, nr. 254, Sector 2
129	Bucuresti	Ag. Colentina 1 (Carrefour)	Bucuresti	Sos Colentina, nr. 426-426A
130	Bucuresti	Ag. Pantelimon	Bucuresti	Sos. Pantelimon, nr. 300, Sector 2
131	Bucuresti	Ag. Pantelimon 1 (Selgros)	Com. Pantelimon	B-dul Biruintei, nr. 90, comuna Pantelimon
132	Bucuresti	Ag. Vergului (Cora)	Bucuresti	Sos Vergului, nr. 20, Sector 2
133	Bucuresti	Ag. Veranda Mall (fosta Dimitrov)	Bucuresti	Strada Ziduri Moși 23, Sector 2, Bucuresti
134	Bucuresti	Ag. Calea Mosilor (dedicata PF)	Bucuresti	Calea Mosilor, nr. 225, Bl. 33-35, sector 2
135	Bucuresti	Ag. Lucretiu Patrascanu	Bucuresti	Str. Lucretiu Patrascanu, nr. 17, bl. MC18, Sector 3
136	Bucuresti	Ag. Delea Veche	Bucuresti	Calea Calarasi, nr. 180, bl. 61, sector 3
137	Bucuresti	Ag. Basarabia	Bucuresti	Bld. Basarabia, Nr. 55, Bl. M22, Sector 2
138	Bucuresti	Ag. Unirea	Bucuresti	Bdv. Bratianu, Nr. 39, Bl. P6, Sector 3
139	Bucuresti	Ag. Titan Mall	Bucuresti	Bd. 1 Decembrie 1918, nr. 33A, Sector 3
140	Bucuresti	Ag. Bucuresti Mall	Bucuresti	Calea Vitan, nr. 58, sc. Zona A
141	Bucuresti	Ag. Decebal	Bucuresti	Bd. Decebal nr. 16, bl. S5, sc. Tronson II si III, cod postal 030968, Bucuresti
142	Bucuresti	Ag. Vitan	Bucuresti	Piata Alba Iulia, Nr. 1, Sector 3
143	Bucuresti	Ag. Camil Ressu	Bucuresti	B-dul Camil Ressu, Nr. 62, Bl. 1D
144	Bucuresti	Ag. Rebreanu	Bucuresti	Str. Liviu Rebreanu, nr. 14, bl. K3
145	Bucuresti	Ag. Nerva Traian	Bucuresti	Str. Nerva Traian, Nr. 15, Bl. M69

146	Bucuresti	Ag. Piata Muncii	Bucuresti	Sos. Mihai Bravu, nr. 288, Bl. C3, Sector 3
147	Bucuresti	Ag. Titan	Bucuresti	Bld. Nicolae Grigorescu, nr. 53, Ca 13, Sector 3
148	Bucuresti	Ag. Titan Est	Bucuresti	B-dul. 1 Decembrie 1918, Nr. 37, zona A, Sector 3
149	Bucuresti	Ag. Vitan Sud	Bucuresti	Sos. Mihai Bravu, Nr. 325, Bloc 55, spatiu comercial CA 38, zona A, Sector 3
150	Bucuresti	Ag. Rond Baba Novac	Bucuresti	Sos. Mihai Bravu, Nr. 302-304, Bl. B13, Sc. 1, Apartament Sp Com, Sector 3
151	Bucuresti	Ag. Dristor	Bucuresti	B-dul. Camil Ressu, Nr. 2, Bloc R1, Sector 3
152	Bucuresti	Ag. Sebastian	Bucuresti	Calea 13 Septembrie, Nr. 221-225, Sector 5
153	Bucuresti	Ag. Victoria	Bucuresti	Calea Victoriei, Nr. 21, Sector 3, corp B
154	Bucuresti	Ag. Toporasi	Bucuresti	Sos. Giurgiului, Nr. 131, Sector 4
155	Bucuresti	Ag. Progresul	Bucuresti	Str. Giurgiului, Nr. 118, Bl. 12, Sector 4
156	Bucuresti	Ag. Ferentari	Bucuresti	Calea Ferentari, Nr. 20, Bl. 126, Lotul A, Sector 5
157	Bucuresti	Ag. Rond Cosbuc	Bucuresti	B-dul Libertatii, Nr. 4, Bl. 117, Sector 4
158	Bucuresti	Ag. Liberty Center (mall)	Bucuresti	Sos. Progresului, nr. 151-171, Unitatea nr. 1.26, Sector 5
159	Bucuresti	Ag. Berceni (Selgros)	Bucuresti	Sos. Turnu Magurele, Nr. 92-108, Sector 4
160	Bucuresti	Ag. Brancoveanu	Bucuresti	Sos. Oltenitei, Nr. 56, Bl. 11C, Sector 4
161	Bucuresti	Ag. Obregia	Bucuresti	B-dul Alexandru Obregia, Nr. 7A, Bl. 128, Sector 4
162	Bucuresti	Ag. Sincai	Bucuresti	B-dul Tineretului, Nr. 1, Bl. 5
163	Bucuresti	Ag. Barzesti	Bucuresti	Soseaua Oltenitei, Nr. 254, Bl. 151, Sector 4
164	Bucuresti	Ag. Cantemir	Bucuresti	Str. Dimitrie Cantemir, Nr. 13, Sector 4
165	Bucuresti	Ag. Aparatorii Patriei	Bucuresti	Sos. Berceni, Nr. 183, Sector 4, zona C
166	Bucuresti	Ag. Sun Plaza (fosta Vacaresti)	Bucuresti	Calea Văcărești, Nr. 391, Sector 4, București
167	Bucuresti	Ag. Crangasi	Bucuresti	Calea Crangasi, nr. 12, Sector 6
168	Bucuresti	Ag. Apusului	Bucuresti	Str. Iuliu Maniu, nr. 73, bl. C3, Sector 6
169	Bucuresti	Ag. Drumul Taberei	Bucuresti	Str. Drumul Taberei, nr. 94, Bl. 519, Sector 6
170	Bucuresti	Ag. Lujerului	Bucuresti	B-dul Iuliu Maniu, nr. 16, bl. 14, Sector 6
171	Bucuresti	Ag. Rahova	Bucuresti	Str. Calea Rahovei, nr. 327, bloc 11, Sector 5
172	Bucuresti	Ag. Romancierilor	Bucuresti	B-dul Timisoara, nr. 73, bl. C12, Sector 6
173	Bucuresti	Ag. Prelungirea Ghencea	Bucuresti	Str. Prelungirea Ghencea, Nr. 65B, Bloc C1, Scara 5, Sector 6
174	Bucuresti	Ag. Ghencea	Bucuresti	Bucuresti, Bdul. Ghencea, nr. 34, bl. 65, Sector 6
175	Bucuresti	Ag. Uverturii	Bucuresti	B-dul Uverturii, nr. 83, bl. O15, Sector 6
176	Bucuresti	Ag. Gorjului	Bucuresti	B-dul Iuliu Maniu, nr.67, bl. 6, Sector 6
177	Bucuresti	Ag. Rahova Sud	Bucuresti	Soseaua Alexandriei, Nr. 11, Bl. 11C, Sector 5
178	Bucuresti	Ag. Valea Cascadelor (Selgros)	Bucuresti	Str. Valea Cascadelor, Nr. 26 B, Sector 6
179	Bucuresti	Ag. 13 Septembrie	Bucuresti	Calea 13 Septembrie, Nr. 107-109, bloc 103, Sector 5
180	Bucuresti	Ag. Cotroceni (mall)	Bucuresti	Unitatea nr. C128, Centrul Comercial AFI Palace Cotroceni din Bucuresti, B-dul Vasile Milea, Nr. 4, Sector 6
181	Bucuresti	Ag. Cora Lujerului	Bucuresti	B-dul Iuliu Maniu, Nr. 19, Sector 6
182	Buzau	Ag. Buzau	Buzau	Str. Nicolae Balcescu, Nr. 2
183	Buzau	Ag. Nehoiu	Nehoiu	Str. Mihai Viteazul, Nr. 16
184	Buzau	Ag. Ramnicu Sarat	Ramnicu Sarat	Str. Victoriei, Nr. 2
185	Buzau	Ag. Unirii Sud	Buzau	Str. Unirii, Bl. O2
186	Buzau	Ag. Marghiloman	Buzau	Str. Dorobanti, Bl. 7C, Buzau
187	Buzau	Ag. Orizont	Buzau	Str. Unirii, Bl. H3
188	Calarasi	Ag. Calarasi	Calarasi	Str. Bucuresti, Nr. 111, si 1, Municipiul Calarasi, Judetul Calarasi
189	Calarasi	Ag. Belsugului	Calarasi	Str. Belsugului, Bl. D2, Sc. 1
190	Calarasi	Ag. Flacara	Calarasi	Str. Flacara, Nr. 5, Bl C16, Sc. 4
191	Calarasi	Ag. Lehliu	Lehliu Gara	Str. Nicolae Titulescu, nr. 56
192	Calarasi	Ag. Dimitrie Ghica	Oltenita	Str. Argesului, nr. 33-35, Bloc 107, scara A
193	Calarasi	Ag. Oltenita	Oltenita	B-dul Tineretului, nr. 121, bl. Sahia 1, sc. C
194	Caras Severin	Ag. Resita	Resita	Piata 1 Decembrie 1918, Nr. 4
195	Caras Severin	Ag. Caransebes	Caransebes	Str. Traian Doda, Nr. 1

196	Caras Severin	Ag. Bocsa	Bocsa	Str. Funicularului, Nr. 93, Sc. I
197	Caras Severin	Ag. Moldova Noua	Moldova Noua	Str. N. Titulescu, Bloc 56, Moldova Noua, jud. Caras Severin
198	Caras Severin	Ag. Barzavei	Resita	B-dul Republicii, Bl. 8, sc. III, Ap. 42
199	Caras Severin	Ag. Oravita	Oravita	Str. 1 Decembrie 1918, Nr. 1
200	Cluj	Ag. Huedin	Huedin	Piata Republicii, Nr. 39, Bl.A1, Ap. 65/2
201	Cluj	Ag. Dej	Dej	Str. 1 Mai, Nr. 1
202	Cluj	Ag. Gherla	Gherla	Piata Libertatii, Nr. 2
203	Cluj	Ag. Cluj	Cluj-Napoca	Str. Aviator Badescu, Nr. 1
204	Cluj	Ag. Horea	Cluj-Napoca	Str. Cuza Voda, Nr.1
205	Cluj	Ag. Turda	Turda	Str. Libertatii, Nr. 4, Bl. A1
206	Cluj	Ag. Oprisani	Turda	Calea Victoriei, Nr. 100, Bloc B120, Ap. nr. 1, Jud. Cluj
207	Cluj	Ag. Floresti	Floresti	Str. Avram Iancu, Nr. 278, jud. Cluj
208	Cluj	Ag. Manastur	Cluj-Napoca	Str. Bucegi, Nr. 11, Ap. 1A
209	Cluj	Ag. Marasti	Cluj-Napoca	Str. Aurel Vlaicu, Nr. 2, Ap. 91C
210	Cluj	Ag. Someseni (Selgros)	Cluj-Napoca	Calea Someseni, Nr. 8
211	Cluj	Ag. Zorilor	Cluj-Napoca	Str. Pasteur, Nr. 73, Ap. 49
212	Cluj	Ag. Grigorescu (Cora)	Cluj-Napoca	B-dul 1 Decembrie 1918, Nr. 142
213	Cluj	Ag. Napoca	Cluj-Napoca	Str. Aurel Vlaicu, Nr. 80, Ap. 1, jud. Cluj
214	Cluj	Ag. Garii	Cluj-Napoca	Str. Horea, Nr. 96-106, jud. Cluj
215	Cluj	Ag. Brancusi	Cluj-Napoca	B-dul C. Brancusi, Nr. 149
216	Cluj	Ag. Piata Unirii	Cluj-Napoca	Str. Piata Unirii, Nr. 16
217	Cluj	Ag. Ardealul	Cluj-Napoca	Bulevardul 21 Decembrie 1989, 77, Cluj-Napoca, 400124
218	Constanta	Ag. Constanta	Constanta	Bdul. Al. Lapusneanu, Nr. 163C, Constanta, jud Constanta
219	Constanta	Ag. Marea Neagra	Constanta	Bulevardul Tomis, Nr. 56, Magazin 62, Constanta
220	Constanta	Ag. Eforie Nord	Eforie Nord	B-dul Republicii, nr. 2
221	Constanta	Ag. Mangalia	Mangalia	Sos. Constantei, nr. 32, Bl. PY2
222	Constanta	Ag. Callatis	Mangalia	B-dul 1, Decembrie 1918
223	Constanta	Ag. Lazu (Selgros)	Agigea	Sos Mangaliei, nr. 1, Loc. Lazu, comuna Agigea
224	Constanta	Ag. Farul	Constanta	Str. Dunarii, Bl. P F4
225	Constanta	Ag. Balada	Constanta	B-dul 1 Decembrie 1918, nr. 10, bl. L 52A
226	Constanta	Ag. Histria	Constanta	B-dul Aurel Vlaicu, nr. 92, Bl. AV21
227	Constanta	Ag. Mercur	Constanta	B-dul Tomis, Nr. 213, Bl. TS 8
228	Constanta	Ag. Capitol	Constanta	Bd. Tomis, nr. 141, Bloc T1
229	Constanta	Ag. Dobrogea	Constanta	Sos. Mangaliei, nr. 185, Bloc 4
230	Constanta	Ag. Delfinarium	Constanta	B-dul Mamaia, nr. 264, bl. PS 5
231	Constanta	Ag. Harsova	Harsova	Str. Vadului, Bloc V2, spatiu comercial nr. 17
232	Constanta	Ag. Medgidia	Medgidia	Str. Republicii, nr. 12, Bl. G4, mag 40 si mag 107
233	Constanta	Ag. Lucian Grigorescu	Medgidia	Str. Independentei, Bloc E1, judetul Constanta
234	Constanta	Ag. Tomis	Constanta	Str.Cismelei, nr. 16, Bl. B 5
235	Constanta	Ag. Soveja	Constanta	Str. Dezrobirii, Nr. 143, Bl. IV22
236	Constanta	Ag. Navodari	Navodari	Bulevardul Navodari, Nr. 159
237	Constanta	Ag. Valu lui Traian	Valu lui Traian	Str. Calea Dobrogei, Nr. 78, jud. Constanta
238	Constanta	Ag. Trocadero	Constanta	B-dul Alexandru Lapusneanu, nr. 89, Bl. LE 33
239	Constanta	Ag. Litoral (Selgros)	Constanta	B-dul Tomis, nr. 387
240	Constanta	Ag. Ovidiu	Ovidiu	Str. Nationala, nr. 74
241	Constanta	Ag. Cernavoda	Cernavoda	Str. Lt. Ion Musat, nr. 3A
242	Constanta	Ag. Basarabi	Murfatlar	Calea Bucuresti, Nr. 13, Bloc BA5
243	Constanta	Ag. Navodari 1	Navodari	Str. Constantei, nr. 12, bloc B2, sc. C
244	Covasna	Ag. Sfantu Gheorghe	Sfantu Gheorghe	Str. 1 Decembrie 1918, Nr. 33-37
245	Covasna	Ag. Mikes	Sfantu Gheorghe	Str. 1 Decembrie 1918, Nr. 137, Jud. Covasna
246	Covasna	Ag. Covasna	Covasna	Str. Libertatii, Nr. 24, Bl. 24, Sc. A
247	Covasna	Ag. Intorsura Buzaului	Intorsura Buzaului	Str. Mihai Viteazu, Nr. 143, Bloc 6, Scara C, Intrarea A
248	Covasna	Ag. Tirgu Secuiesc	Targu Secuiesc	Str. Curtea 20, Nr. 1

249	Dambovita	Ag. Targoviste	Targoviste	B-dul Mircea cel Batran, nr. 8, zona A, et. 1, jud. Dambovita
250	Dambovita	Ag. Chindia	Targoviste	Str. Constantin Brancoveanu, Bl. 11, Sc. D
251	Dambovita	Ag. Pucioasa	Pucioasa	Str. Republicii, Bl. Delia, Sc. B
252	Dambovita	Ag. Caraiman	Targoviste	B-dul Independentei, nr. 24-25
253	Dambovita	Ag. Crizantemelor	Targoviste	Str. Calea Bucuresti, Bloc O1, Scara B, jud. Dambovita
254	Dambovita	Ag. Moreni	Moreni	Str. Culturii, Bl. D1, sc. D
255	Dambovita	Ag. Titu	Titu	Str. Petru Rares, nr. 6
256	Dambovita	Ag. Gaesti	Gaesti	Str. 13 Decembrie, Nr. 39, Bl. 46, Sc. F
257	Dolj	Ag. Dolj	Craiova	Str. Sfantu Dumitru, nr. 8, Craiova, Jud. Dolj
258	Dolj	Ag. Calafat	Calafat	Str. 22 Decembrie, Nr. 8
259	Dolj	Ag. Oltenia	Craiova	Str. Calea Bucuresti, Bl. A14-A15
260	Dolj	Ag. Craiova Est (Selgros)	Craiova	Str. Caracal, nr. 258
261	Dolj	Ag. Romanescu	Craiova	Str. Nicolae Romanescu, nr. 6 C
262	Dolj	Ag. Nicolae Titulescu	Craiova	Str. Nicolae Titulescu, Nr. 8
263	Dolj	Ag. Cetatea Baniei	Craiova	Bdul. Olteniei, bloc 2, parter
264	Dolj	Ag. Expres	Craiova	B-dul. Dacia, nr. 136, bl. G
265	Dolj	Ag. Sarari	Craiova	Cartier Lapus, Str. Calea Bucuresti, Bloc N16-17
266	Dolj	Brazda lui Novac	Craiova	Str.1 Decembrie 1918, nr. 27
267	Galati	Ag. Galati	Galati	Strada Brailei, Nr. 85, corp adiacent, Bl. BR5A, zona A
268	Galati	Ag. Tecuci	Tecuci	Str. 1 Decembrie 1918, nr.42
269	Galati	Ag. Anghel Saligny	Galati	Str. Anghel Saligny, bl G4, sc.3
270	Galati	Ag. Dunarea de Jos	Galati	Str. Brailei, nr.232, bl E4
271	Galati	Ag. Henri Coanda	Galati	Str. Graurului, Nr. 1, Bl. J5, Sc. 1, Ap. 1, Micro 39
272	Galati	Ag. Costache Negri	Galati	Str. Brailei, aferent bloc I 1, cartier Tiglina I
273	Galati	Ag. Domneasca	Galati	Str Domneasca, nr. 20, Bl A
274	Galati	Ag. Traian	Galati	Str. Traian, nr. 67, zona A, Jud.Galati
275	Galati	Ag. Brates	Galati	Galati, Micro 14, Str. 1 Decembrie 1918, Nr. 12, Bloc S9E, Scara 2, Jud Galati
276	Galati	Ag. Liesti	Liesti	Comuna Liesti
277	Galati	Ag. Siret (Selgros)	Galati	B-dul Galati, nr. 1C
278	Giurgiu	Ag. Giurgiu	Giurgiu	Str. Vlad Tepes, nr. 20
279	Giurgiu	Ag. Turn	Giurgiu	Sos. Bucuresti, bl. 28/853
280	Giurgiu	Ag. Bolintin Vale	Bolintin Vale	Str. Republicii, bl. B5
281	Gorj	Ag. Gorj	Targu Jiu	Str. Tudor Vladimirescu, nr. 17
282	Gorj	Ag. Targu Jiu	Targu Jiu	Str. Republicii, Bl. 25, Sc. 3
283	Gorj	Ag. Rovinari	Rovinari	Str. Prieteniei, Nr. 13 bis
284	Gorj	Ag. Targu Carbunesti	Targu Carbunesti	Str. Trandafirilor, Bl. B4
285	Gorj	Ag. Motru	Motru	Str. Trandafirilor
286	Gorj	Ag. Ecaterina Teodoroiu	Targu Jiu	Str. Victoriei, bl. 194
287	Gorj	Ag. Turceni	Turceni	Str. Uzinei, nr. 1, Bl. 27
288	Harghita	Ag. Miercurea Ciuc	Miercurea Ciuc	Str. Kossuth Lajos, Nr. 20, Bl. 27
289	Harghita	Ag. Gheorgheni	Gheorghieni	Piata Libertatii, Nr. 7
290	Harghita	Ag. Odorheiul Secuiesc	Odorheiul Secuiesc	Str. Rakoczi, Nr. 13
291	Harghita	Ag. Toplita	Toplita	Str. Nicolae Balcescu, Nr. 37
292	Harghita	Ag. Petofi	Miercurea Ciuc	B-dul Fratiei, Nr. 5, Sc. B
293	Hunedoara	Ag. Deva	Deva	Blvd. Decebal, Bloc 5 (5A)
294	Hunedoara	Ag. Hateg	Hateg	Str. Tudor Vladimirescu, Bl. S1
295	Hunedoara	Ag. Orastie	Orastie	Str. Eroilor, Bl. C2, Sc. B si C
296	Hunedoara	Ag. Calan	Calan	Str. Independentei, Nr. 13
297	Hunedoara	Ag. Petrosani	Petrosani	B-dul 1 Decembrie 1918, Nr. 92, Bl. B1
298	Hunedoara	Ag. Germisara	Deva	B-dul Iuliu Maniu, Bl. 1A+1B
299	Hunedoara	Ag. Ulpia	Deva	Str. Mihai Eminescu, Bloc 13A, Jud. Hunedoara
300	Hunedoara	Ag. Corvinul	Hunedoara	B-dul Dacia, Bl. A2/2

301	Hunedoara	Ag. Santuhalm	Deva	Str. Santuhalm, Nr. 35 A, jud. Hunedoara
302	Ialomita	Ag. Ialomita	Slobozia	B-dul Chimiei, nr. 13
303	Ialomita	Ag. Slobozia	Slobozia	Str. Matei Basarab, Bara Comerciala
304	Ialomita	Ag. Matei Basarab	Slobozia	Str. Matei Basarab, Bloc 27, Scara A, jud. Ialomita
305	Ialomita	Ag. Fetesti	Fetesti	Str. Ceahlaul, nr. 1-3
306	Ialomita	Ag. Tandarei	Tandarei	Str. Bucuresti, Bl. 52 H, Sc. B
307	Ialomita	Ag. Urziceni	Urziceni	Str. Eroilor, nr. 16, bl. 101
308	Ialomita	Ag. Danubius	Fetesti	Str. Calarasi, Bl. B13, Sc. C
309	Iasi	Ag. Iasi	Iasi	Str. Anastasie Panu, Nr. 31
310	Iasi	Ag. Harlau	Harlau	Str. Vasile Gheorghiu, Bloc 8, Scara 1, jud. Iasi
311	Iasi	Ag. Podul Ros	Iasi	Str. Sfantul Lazar, Nr. 47, Bloc A 5-6
312	Iasi	Ag. Pacurari	Iasi	Soseaua Pacurari, Nr. 15-17, Bloc 538, tronson III
313	Iasi	Ag. Stefan cel Mare	Iasi	Str. Stefan cel Mare si Sfant, Nr. 7A, Sc. A
314	Iasi	Ag. Alexandru cel Bun	Iasi	B-dul. Alexandru cel Bun, Nr. 19, Bl. B3, Sc. B
315	Iasi	Ag. Independentei	Iasi	Str. Piata Unirii, Nr. 2, Scara B
316	Iasi	Ag. Tatarasi	Iasi	Str. Ion Creanga, Nr. 17, Bl. U2
317	Iasi	Ag. Nicolina (Selgros)	Iasi	Str. Nicolina, Nr. 57A
318	Iasi	Ag. Bucium	Iasi	Str. Bucium, Nr. 19, Bloc B2-1, Scara A, Jud. Iasi
319	Iasi	Ag. Copou	Iasi	Str. Oastei, in cadrul Complexului Comercial Copou, Cvartal 42, Jud. Iasi
320	Iasi	Ag. Palas	Iasi	Ansamblul Palas, Corp E2, Str. Palat, Nr. 3E
321	Iasi	Ag. Palas Mall	Iasi	Palas Shopping Mall, Cladire (Bloc) C3, Strada Palas, Nr. 7A, Iasi
322	Iasi	Ag. Pascani	Pascani	Str. Eugen Stamate, Bl. D2
323	Ilfov	Ag. Buftea	Buftea	Str. Mihai Eminescu, Nr. 6, Bl. R5, parter
324	Ilfov	Ag. Chitila Residenz	Chitila	Sos. Banatului, Nr. 14, Bl. 9
325	Ilfov	Ag. Otopeni	Otopeni	Str. 23 August, nr. 1, bl. B11
326	Ilfov	Ag. Snagov	Snagov	Comuna Snagov, Jud. Ilfov, Sat Ghermanesti, nr. 59
327	Ilfov	Ag. Voluntari	Voluntari	Str. Nicolae Iorga, Nr. 67, zona A
328	Ilfov	Ag. Comuna Pantelimon	Pantelimon	Str. Tudor Vladimirescu, nr. 20, zona A, Comuna Pantelimon
329	Ilfov	Ag. Popesti Leordeni	Popesti Leordeni	Sos. Oltenitei, Nr. 23, Bloc M1
330	Ilfov	Ag. Bragadiru	Bragadiru	Sos. Alexandriei, Bl. D3-2, sp. Com
331	Maramures	Ag. Maramures	Baia Mare	Bd. Unirii, Nr. 8-10
332	Maramures	Ag. Sighetu Marmatiei	Sighetu Marmatiei	Str. Traian, Nr. 7, Magazin 28
333	Maramures	Ag. Borsa	Borsa	Str. 22 Decembrie, Nr. 2
334	Maramures	Ag. George Cosbuc	Baia Mare	Str. George Cosbuc, Nr. 14
335	Maramures	Ag. Iza	Baia Mare	B-dul. Bucuresti, Nr. 40
336	Maramures	Ag. Mara	Baia Mare	B-dul Republicii, Nr. 17, tronson IV
337	Mehedinti	Ag. Mehedinti	Drobeta Turnu Severin	Bdul T. Vladimirescu, nr. 125-127
338	Mehedinti	Ag. Turnu Severin	Drobeta Turnu Severin	Bdul.Mihai Viteazul, Nr. 20, Bl. Z7B
339	Mehedinti	Ag. Cora Turnu Severin	Drobeta Turnu Severin	Str. Constructorului, nr. 1
340	Mures	Ag. Tg. Mures	Targu Mures	Str. Gheorghe Doja, Nr. 64-68
341	Mures	Ag. Ludus	Ludus	Str. Crinului, Nr. 1
342	Mures	Ag. Reghin	Reghin	Str. Mihai Viteazu, Nr. 20
343	Mures	Ag. Sighisoara	Sighisoara	Str. Morii, Nr. 14-18
344	Mures	Ag. Tarnaveni	Tarnaveni	Str. Republicii, Nr. 74, Ap. 19
345	Mures	Ag. Mures 1 (Selgros)	Ernei	Comuna Ernei, nr. 591
346	Mures	Ag. Bartok Bela	Targu Mures	Str. Bartok Bela, Nr. 1-3
347	Mures	Ag. Fortuna	Targu Mures	Str. Infratirii, Nr. 4
348	Mures	Ag. Maris (Altex)	Targu Mures	Str. Gheorghe Doja, Nr. 243
349	Mures	Ag. Dambu Pietros	Targu Mures	Targu Mures, Strada B-dul 1848, Nr. 15, jud. Mures
350	Mures	Ag. Sovata	Sovata	Str. Principala, Nr. 180/A

351	Neamt	Ag. Neamt	Piatra Neamt	Piata Stefan cel Mare, Nr. 3
352	Neamt	Ag. Poiana Teiului	Poiana Teiului	Loc. Poiana Teiului
353	Neamt	Ag. Roman	Roman	Str. Nicolae Titulescu, Nr. 42
354	Neamt	Ag. Targu Neamt	Targu Neamt	Aleea Salcamilor, Nr. 1, Complex comercial, Zona R
355	Neamt	Ag. Mira	Piatra Neamt	B-dul Traian, Nr. 15, Bl. A3
356	Neamt	Ag. Cozla	Piatra Neamt	Str. Mihai Viteazul, Nr. 6A
357	Olt	Ag. Olt	Slatina	Str. Basarabilor, Nr. 2
358	Olt	Ag. Caracal	Caracal	Str. Parangului, Bl. 4A
359	Olt	Ag. Draganesti Olt	Draganesti Olt	Str. Nicolae Titulescu, nr. 129
360	Olt	Ag. Scornicesti	Scornicesti	B-dul. Muncii nr. 7, Bloc 1A, Scara B, parter
361	Olt	Ag. Slatina	Slatina	B-dul. Alex Ioan Cuza, Bl. D9,D10
362	Olt	Ag. Minulescu	Slatina	Str. Arcului, nr. 1A
363	Olt	Ag. Crisan	Slatina	Str. Crisan II, nr. 4
364	Olt	Ag. Corabia	Corabia	Str. 1 Mai, Bl. 32-33
365	Prahova	Ag. Prahova	Ploiesti	Str. Constantin Dobrogeanu Gherea, nr. 1A, Bl. D (zonele a.1 si a.2) si nr. 1B, bl. E (zonele b.1, b.2)
366	Prahova	Ag. Mizil	Mizil	Str. Nicolae Balcescu, nr. 38, bl. 43 B
367	Prahova	Ag. Ploiesti 1	Ploiesti	B-dul.Republicii, nr. 118, bl. 15 B2
368	Prahova	Ag. Ploiesti Vest (Selgros)	Ploiesti	Str. Gh. Grigore Cantacuzino, nr. 366A
369	Prahova	Ag. Mihai Bravu	Ploiesti	Str. Mihai Bravu, Aleea Chimiei 5, bloc 4B, si Str. Mihai Bravu, nr. 4A-4B, magazin 125, bl. 4A
370	Prahova	Ag. Orient	Ploiesti	B-dul Bucuresti, nr. 11, bloc 8C
371	Prahova	Ag. Ploiesti Nord	Ploiesti	Sos Nordului, nr. 1A
372	Prahova	Ag. Caragiale	Ploiesti	Str. Grivitei, nr. 2, bloc H, zona B
373	Prahova	Ag. Bucov (AFI mall)	Ploiesti	Str. Calomfirescu, Nr. 2, Ploiesti, Jud. Prahova, România, Unitatea nr. G130, in incinta Centrului Comercial AFI Palace Ploiesti
374	Prahova	Ag. Valenii de Munte	Valenii de Munte	Str. Nicolae Iorga, nr. 76, bl. C2
375	Prahova	Ag. Urlati	Urlati	Str. 1 Mai, Nr. 116
376	Prahova	Ag. Busteni	Busteni	B-dul Libertatii, nr. 166
377	Prahova	Ag. Campina	Campina	Str.1 Mai, bl 12 G, parter
378	Prahova	Ag. Carol	Campina	Bld. Carol I, nr. 17, bl. 17 D1, Campina
379	Prahova	Ag. Baicoi	Baicoi	Str.Republicii, nr. 20, bl. 28
380	Prahova	Ag. Breaza	Breaza	Str. Republicii, nr. 21
381	Salaj	Ag. Zalau	Zalau	Str. Unirii, Nr. 19
382	Salaj	Ag. Meses	Zalau	Str. Tudor Vladimirescu, Nr. 54
383	Salaj	Ag. Porolissum	Zalau	Str. Mihai Viteazul, Bloc B120/B, Ap. 33/I
384	Salaj	Ag. Jibou	Jibou	Str. 1 Mai, Bloc M30, Ap. 13/1
385	Salaj	Ag. Simleu Silvaniei	Simleu Silvaniei	Str. 1 Decembrie, Nr. 5, Bloc D5
386	Satu Mare	Ag. Satu Mare	Satu Mare	Piata Libertatii, Nr. 11
387	Satu Mare	Ag. Soarelui	Satu Mare	Str. Lucian Blaga, bloc UU18, Parter
388	Satu Mare	Ag. Carei	Carei	Str. 1 Decembrie 1918, Nr. 19
389	Satu Mare	Ag. Negresti - Oas	Negresti Oas	Strada Victoriei, Bloc 9
390	Satu Mare	Ag. Nufarul	Satu Mare	Str. Careiului, Bl. C25
391	Sibiu	Ag. Sibiu	Sibiu	Piata Aurel Vlaicu, Nr. 9
392	Sibiu	Ag. Agnita	Agnita	Str. Avram Iancu, Nr. 1
393	Sibiu	Ag. Avrig	Avrig	Str. Samuel Brukenthal, Nr. 4
394	Sibiu	Ag. Medias	Medias	Str. I.C. Bratianu, Nr. 3
395	Sibiu	Ag. Brukenthal	Sibiu	Str. Tribunei, Nr. 2, Ap. 1/2, Sibiu, Jud. Sibiu
396	Sibiu	Ag. Saliste	Saliste	Piata Junilor, Nr. 15
397	Sibiu	Ag. Hermannstadt	Sibiu	Str. 9 Mai, Nr. 2
398	Sibiu	Ag. Vasile Aaron	Sibiu	Cartier Vasile Aaron, Str. Semaforului, Bl. 14
399	Sibiu	Ag. Emil Cioran	Sibiu	Str. Gorjului, Nr. 4, Bl. 15, Ap. 9, Parter
400	Sibiu	Ag. Tineretului	Sibiu	Str. Uzinei, Nr. 2A, Jud. Sibiu
401	Sibiu	Ag. Selimbar (Altex)	Sibiu	Com. Selimbar, DN1-km 306
402	Suceava	Ag. Falticeni	Falticeni	B-dul 2 Graniceri, Bl. 51

403	Suceava	Ag. Suceava	Suceava	B-dul George Enescu, Nr. 16
404	Suceava	Ag. Gura Humorului	Gura Humorului	Piata Republicii, Nr. 16
405	Suceava	Ag. Radauti	Radauti	Piata Unirii, Nr. 33
406	Suceava	Ag. Vatra Dornei	Vatra Dornei	Str. Mihai Eminescu, Nr. 28
407	Suceava	Ag. Bucovina	Suceava	Str. Nicolae Balcescu, Nr. 2
408	Suceava	Ag. Itcani (Selgros)	Suceava	Str. Cernauti, nr. 118
409	Suceava	Ag. Burdujeni	Suceava	Calea Unirii, Nr. 39, Bl. 92, Sc. F
410	Suceava	Ag. Campulung Moldovenesc	Campulung Moldovenesc	Calea Transilvaniei, Nr. 13-15
411	Teleorman	Ag. Teleorman	Alexandria	Str. Av. Al.Colfescu, nr. 63
412	Teleorman	Ag. Alexandria	Alexandria	Str. Libertatii, Nr. 202, jud. Teleorman
413	Teleorman	Ag. Rosiori de Vede	Rosiorii de Vede	Strada Dunarii, Bl. D3
414	Teleorman	Ag. Turnu Magurele	Turnu Magurele	Str. Republicii, bl G4
415	Teleorman	Ag. Videle	Videle	Sos. Giurgiului, nr. 21, Complex Stejarul
416	Teleorman	Ag. Zimnicea	Zimnicea	Str. Mihai Viteazul, bl. 18C
417	Teleorman	Ag. Unic	Rosiorii de Vede	Str. Rahovei, Bl. 102-103
418	Timis	Ag. Timisoara	Timisoara	Str. Coriolan Brediceanu, Nr. 10, Corp B
419	Timis	Ag. Deta	Deta	Str. Victoriei, Nr. 3
420	Timis	Centrul Operational de Afaceri Timisoara	Timisoara	Str. Grigore T. Popa, Nr. 81, Ap. SAD 2, Jud. Timis
421	Timis	Ag. Sannicolau Mare	Sannicolau Mare	Bdul. Republicii, nr. 12
422	Timis	Ag. Jimbolia	Jimbolia	Str. Republicii, nr. 44, Ap. 1, Jimbolia, Jud. Timis
423	Timis	Ag. Aries	Timisoara	Str. Aries, nr. 20
424	Timis	Ag. Timisoara 2 (Selgros)	Timisoara	Calea Aradului, nr. 64, Timisoara
425	Timis	Ag. Fabric	Timisoara	Str. Stefan cel Mare, nr. 53, corp B, spatiul comercial nr. 2
426	Timis	Ag. Timisoara Nord	Timisoara	Str. Gen. Ioan Dragalina, Nr. 47
427	Timis	Ag. Stiintei	Timisoara	Str. Stiintei, Nr. 5
428	Timis	Ag. Simion Barnutiu	Timisoara	Str. Simion Barnutiu, Nr. 56
429	Timis	Ag. Bega	Timisoara	Str. Paris, Nr. 2A, Zona B
430	Timis	Ag. Tisa	Timisoara	Str. Nicolae Balcescu, Nr. 5
431	Timis	Ag. Banat	Timisoara	Calea Sever Bocu, Nr. 43, Bl. 35
432	Timis	Ag. Calea Aradului	Timisoara	Str. Calea Aradului, Nr. 42, Scara B
433	Timis	Ag. Iulius Mall Timisoara	Timisoara	Str. Aristide Demetriade, Nr. 1, Timisoara, Jud. Timis
434	Timis	Ag. Sagului	Timisoara	Timisoara, Calea Sagului nr. 100, 104-106-108-110, Unitatea nr. C055, in cadrul Shopping City Timisoara, Jud. Timis
435	Timis	Ag. Lugoj	Lugoj	Str. 20 Decembrie 1989, Nr. 36
436	Timis	Ag. Faget	Faget	Str. 1 Decembrie 1918, Nr. 1
437	Tulcea	Ag. Tulcea	Tulcea	Str. Grivitei, Nr. 19
438	Tulcea	Ag. Babadag	Babadag	Str. Republicii, nr. 98, zona A, Babadag
439	Tulcea	Ag. Dunarea	Tulcea	Str. Isaccei, nr. 4, Bl. G0
440	Tulcea	Ag. Egreta	Tulcea	Str. Isaccei, Bloc U2, judetul Tulcea
441	Tulcea	Ag. Delta	Tulcea	Str. Frasinului, nr. 4, bl. 4, sc. B
442	Valcea	Ag. Valcea	Ramnicu Valcea	Str. Stirbei Voda, nr. 2, bl T1
443	Valcea	Ag. Calimanesti	Calimanesti	Str. Calea lui Traian, nr. 322
444	Valcea	Ag. Berbesti	Berbesti	Bl. B1, Berbesti
445	Valcea	Ag. Horezu	Horezu	Str. 1 Decembrie, Nr. 5
446	Valcea	Ag. Ostroveni	Ramnicu Valcea	B-dul Tineretului, Nr. 8
447	Valcea	Ag. Valcea Nord	Ramnicu Valcea	Str. Calea lui Traian, nr. 160, Bl. 21, zona A
448	Valcea	Ag. Dragasani	Dragasani	Str. Gib Mihaescu, Nr. 20, Bl. 52
449	Vaslui	Ag. Vaslui	Vaslui	Str. Stefan cel Mare, Bl. 94, Sc. C, D, Nr. 2-4
450	Vaslui	Ag. Husi	Husi	Str. Gral. Telman, Nr. 1
451	Vaslui	Ag. Podul Inalt	Vaslui	Str. Traian, Bl. C2, Sc. A
452	Vaslui	Ag. Barlad	Barlad	Str. V Lupu si Str. 1 Decembrie, bl. M4, sc. B si D
453	Vaslui	Ag. Fagului	Barlad	Str. Fagului, Nr. 3, Bloc D1-8, Scara 6, Apartament 1, jud. Vaslui
454	Vrancea	Ag. Vrancea	Focsani	Focsani, Bulevardul Unirii, Nr. 28, jud. Vrancea

455	Vrancea	Ag. Adjud	Adjud	Str. Republicii, Nr. 43, Bl. 92
456	Vrancea	Ag. Odobesti	Odobesti	Str. Stefan cel Mare, Nr. 40, Bl. G1
457	Vrancea	Ag. Panciu	Panciu	Str. Nicolae Titulescu, Nr. 75
458	Vrancea	Ag. Republicii	Focsani	Str. Republicii, Nr. 18

APPENDIX 2 - GROUP FINANCIAL STATEMENTS

US FOOD NETWORK SA

CONSOLIDATED FINANCIAL STATEMENTS

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

31 DECEMBER 2016

CONTENTS

Building a better
working world

Ernst & Young Assurance Services SRL
Cladirea Bucharest Tower Center, et. 21
Bd. Ion Mihalache nr. 15-17, Sector 1
011171 Bucuresti, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of US FOOD NETWORK SA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of US FOOD NETWORK SA ("the Company") and its subsidiaries (together "The Group") , which comprise the consolidated statement of financial position as at 31 December 2016, 31 December 2015, 31 December 2014 and 1 January 2014 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, 31 December 2015, 31 December 2014 and 1 January 2014 and of its consolidated financial performance and its consolidated cash flows for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 in accordance with the International Financial Reporting Standards as adopted by the European Union and the accounting policies described in the notes to the consolidated financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 management.

  Conclude on the appropriateness of management's 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 auditors' report to the related disclosures in the consolidated financial statements 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 auditors' 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

On behalf of

Ernst & Young Assurance Services SRL

Alina Dimitriu

Executive Director

Bucharest Romania

August 09, 2017

All amounts in RON thousand, unless specified otherwise

	Note	2016	2015	2014
Restaurant sales		417,535	329,963	261,782
Restaurant expenses				
Food and material expenses		157,302	123,141	98,405
Payroll and employee benefits	8.1	69,577	50,513	40,400
Rent		27,498	22,544	20,366
Royalties		24,654	19,382	15,406
Advertising		20,736	16,715	13,187
Other operating expenses, net	6	30,313	24,565	19,350
Depreciation and amortization	8.2	9,234	7,833	8,238
Restaurant operating profit		**78,221**	**65,270**	**46,430**
General and administration expenses, net	7	22,975	16,132	15,299
Operating profit		**55,246**	**49,138**	**31,131**
Finance costs	9.1	825	531	978
Finance income	9.2	95	398	240
Profit before tax		**54,516**	**49,005**	**30,393**
Income tax expense	10	5,783	7,251	4,528
Profit for the year		**48,733**	**41,754**	**25,865**
Attributable to:				
Equity holders of the parent		48,693	41,597	25,716
Non-controlling interests		40	157	149
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		-	-	-
Exchange differences on translation of foreign operations		83	(92)	(10)
Total comprehensive income for the year, net of tax		**48,816**	**41,662**	**25,855**
Attributable to:				
Equity holders of the parent		48,774	41,513	25,708
Non-controlling interests		42	149	147

These consolidated financial statements from page 3 to page 46 were approved by the Board of Directors and were authorised for issue on 9 June 2017.

Marian Gogu
General Manager US Food Network SA

All amounts in RON thousand, unless specified otherwise

	Notes	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Assets					
Non-current assets		**54,246**	**45,562**	**41,658**	**46,642**
Property, plant and equipment	11	47,551	41,084	37,779	42,311
Intangible assets	12	6,365	4,298	3,765	4,152
Deposits for rent guarantee		290	163	95	164
Deferred tax assets	10	40	17	19	15
Current assets		**65,399**	**55,497**	**38,275**	**16,766**
Inventories	15	5,744	5,717	4,161	3,509
Trade and other receivables	16	8,780	4,438	3,473	3,062
Prepayments		1,907	1,743	1,729	1,635
Cash and short-term deposits	17	48,968	43,599	28,912	8,560
Total assets		**119,645**	**101,059**	**79,933**	**63,408**
Equity and liabilities					
Equity					
Issued capital	18	190	190	190	190
Other capital reserves		19	19	19	19
Retained earnings		58,124	50,392	33,278	20,226
Foreign currency translation reserve		(41)	(122)	(38)	(30)
Equity attributable to equity holders of the parent		**58,292**	**50,479**	**33,449**	**20,405**
Non-controlling interests		(39)	3	7	(7)
Total equity		**58,253**	**50,482**	**33,456**	**20,398**
Non-current liabilities		**16,304**	**15,349**	**12,010**	**15,421**
Interest-bearing loans and borrowings	13	14,630	11,787	8,773	12,184
Trade and other payables	21	1,674	1,827	1,597	1,788
Deferred tax liabilities	10	-	1,735	1,640	1,449
Current liabilities		**45,088**	**35,228**	**34,467**	**27,589**
Trade and other payables	21	37,292	28,594	27,950	18,834
Interest-bearing loans and borrowings	13	7,796	6,634	6,378	7,390
Provisions	20	-	-	139	1,365
Total liabilities		**61,391**	**50,577**	**46,477**	**43,010**
Total equity and liabilities		**119,645**	**101,059**	**79,933**	**63,408**

These consolidated financial statements from page 3 to page 46 were approved by the Board of Directors and were authorised for issue on 9 June 2017.

US FOOD NETWORK SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
All amounts in RON thousand, unless specified otherwise

	Issued capital	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total equity	Non-controlling interest	Total equity
As at 1 January 2016	**190**	**19**	**50,392**	**(122)**	**50,479**	**3**	**50,482**
Profit for the period	-	-	48,693	-	48,693	40	**48,733**
Other comprehensive income							
Translation differences	-	-	-	81	81	2	**83**
Total comprehensive income	**-**	**-**	**48,693**	**81**	**48,774**	**42**	**48,816**
Cash dividends	-	-	(40,961)	-	(40,961)	(84)	**(41,045)**
At 31 December 2016	**190**	**19**	**58,124**	**(41)**	**58,292**	**(39)**	**58,253**

	Issued capital	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total equity	Non-controlling interest	Total equity
As at 1 January 2015	**190**	**19**	**33,278**	**(38)**	**33,449**	**7**	**33,456**
Profit for the period	-	-	41,597	-	41,597	157	**41,754**
Other comprehensive income							
Translation differences	-	-	-	(84)	(84)	(8)	**(92)**
Total comprehensive income	**-**	**-**	**41,597**	**(84)**	**41,513**	**149**	**41,662**
Cash dividends	-	-	(24,483)	-	(24,483)	(153)	**(24,636)**
At 31 December 2015	**190**	**19**	**50,392**	**(122)**	**50,479**	**3**	**50,482**

	Issued capital	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total equity	Non-controlling interests	Total equity
As at 1 January 2014	**190**	**19**	**20,226**	**(30)**	**20,405**	**(7)**	**20,398**
Profit for the period	-	-	25,716	-	25,716	149	**25,865**
Other comprehensive income							
Translation differences	-	-	-	(8)	(8)	(2)	**(10)**
Total comprehensive income	**-**	**-**	**25,716**	**(8)**	**25,708**	**147**	**25,855**
Cash dividends	-	-	(12,665)	-	(12,665)	(133)	**(12,798)**
At 31 December 2014	**190**	**19**	**33,278**	**(38)**	**33,449**	**7**	**33,456**

These consolidated financial statements from page 3 to page 46 were approved by the Board of Directors and were authorised for issue on 9 June 2017.

All amounts in RON thousand, unless specified otherwise

	Note	2016	2015	2014
Operating activities				
Profit before tax		54,516	49,005	30,393
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation of property, plant and equipment	11	8,977	7,628	8,044
Amortisation of intangible assets	12	847	698	675
Net foreign exchange differences		60	181	(116)
Loss/(Gain) on disposal of property, plant and equipment		92	(10)	740
Finance income	9.2	(95)	(398)	(240)
Finance costs	9.1	536	424	555
Movement in current assets allowances		5	12	165
Movements in provisions		-	(139)	(1,226)
Working capital adjustments:				
Increase in trade and other receivables and prepayments		(4,574)	(989)	(553)
Increase in inventories		(27)	(1,570)	(652)
Increase in trade and other payables		8,655	459	8,035
Interest received		31	342	192
Interest paid		(561)	(453)	(561)
Income tax paid		(7,619)	(6,698)	(3,452)
Net cash flows from operating activities		**60,843**	**48,491**	**41,999**
Investing activities				
Proceeds from sale of property, plant and equipment		-	27	2
Purchase of intangible assets		(2,916)	(1,246)	(430)
Purchase of property, plant and equipment		(15,536)	(10,935)	(4,108)
Net cash flows used in investing activities		**(18,452)**	**(12,154)**	**(4,536)**
Financing activities				
Payment of finance lease liabilities		(284)	(185)	(155)
Proceeds from borrowings		11,704	10,993	3,382
Repayment of borrowings		(7,480)	(7,730)	(7,531)
Dividends paid to equity holders of the parent		(40,961)	(24,483)	(12,664)
Dividends paid to non-controlling interests		(84)	(153)	(133)
Net cash flows used in financing activities		**(37,105)**	**(21,558)**	**(17,101)**
Net increase in cash and cash equivalents		**5,286**	**14,779**	**20,362**
Net foreign exchange differences		83	(92)	(10)
Cash and cash equivalents at 1 January		**43,599**	**28,912**	**8,560**
Cash and cash equivalents at 31 December		**48,968**	**43,599**	**28,912**

These consolidated financial statements from page 3 to page 46 were approved by the Board of Directors and were authorised for issue on 9 June 2017.

1. Corporate information

These consolidated financial statements are prepared by US Food Network SA and comprise its activities and those of its subsidiaries, together referred hereinafter as ''USFN'' or ''the Group''.

The consolidated financial statements for the year ended 31 December 2016 were authorized for issue in accordance with the resolution of the Board of Directors dated 9 June 2017.

The Group operates quick service and takeaway restaurant concepts (a chain of 65 restaurants) under the Kentucky Fried Chicken (''KFC'') brand, spread across Romania and the Republic of Moldova and also plans to further develop the network in Italy. The Group also operates one restaurant under Paul brand and one pizza delivery point under Pizza Hut Delivery ("PHD") brand.
The Group's number of employees at 31 December 2016 was 2,942 (31 December 2015: 2,613, 31 December 2014: 2,268, 1 January 2014: 1,895).

US Food Network SA ("the parent Company" or "the Parent") was incorporated in 1994 as a joint stock company and is registered at No. 28-30 Gheorghe Magheru Boulevard, Bucharest, Romania.

ICS US Food Network SRL ("Moldavian subsidiary") was incorporated in 2008 as a joint stock company and is registered at No. 45 Banulescu Bodoni Street, Chisinau, Republic of Moldova. The Group owns 80% of the company's shares.

US Food Network SRL ("Italian subsidiary") was incorporated in 2016 as a limited liability company and is registered at No. 6 Via Pietro Paleocapa Street, Milano, Italy. The Group owns 100% of the company's shares.

2. Significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its financial statements.

2.1 Basis of preparation

Statement of Compliance

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) (IFRS).

For all periods up to and including the year ended 31 December 2015, the Group prepared its consolidated financial statements in accordance with local generally accepted accounting principles (Local GAAP) of Romania. These consolidated financial statements for the year ended 31 December 2016 are the first the Group has prepared in accordance with IFRS. Refer to Note 2.4 for information on how the Group adopted IFRS.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Romanian Lei (''RON'') and all values are rounded to the nearest thousand RON, except when otherwise indicated.

2. Significant accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016.

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

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.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

2. Significant accounting policies (continued)

2.3.1 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.3.2 Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the relevant notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. Significant accounting policies (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.3.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Restaurant revenue

Restaurant revenues are recognised when food and beverages are served. Revenues are recognised at fair value of meals and services delivered, net of value added tax charged to customers.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms.

Interest income

Interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in ‘’Finance income’’ in profit or loss.

2.3.4 Foreign currencies

The Group’s financial statements are presented in Romanian New Lei (‘’RON’’), which is also the parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency (namely Moldavian Leu ‘’MDL’’ for the Moldavian subsidiary and the Euro ‘’EUR’’ for the Italian subsidiary).

The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

All amounts in RON thousand, unless specified otherwise

2. Significant accounting policies (continued)

The exchange rate RON – EUR as at 31 December 2016, 31 December 2015, 31 December 2014 and 1 January 2014 were:

	31 December 2016	**31 December 2015**	**31 December 2014**	**1 January 2014**
RON - EUR	4.5411	4.5245	4.4821	4.4847
RON - USD	4.3033	4.1477	3.6868	3.2551
RON - MDL	0.2174	0.2107	0.2359	0.2496

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RON at the rate of exchange prevailing at the reporting date and their revenues and expenses are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the profit or loss.

2.3.5 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

2. Significant accounting policies (continued)

Deferred tax

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.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for: all deductible temporary differences and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and any unused tax losses that can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, no deferred tax is recognized, and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is 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 reassessed 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.

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 other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax (VAT and similar taxes)

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. Significant accounting policies (continued)

2.3.6 Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Where appropriate, the cost of property, plant and equipment includes site preparation costs, installation costs and the cost of obtaining permits required to bring the asset ready for use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The cost of property, plant and equipment also includes the cost of replacing parts of the property, plant and equipment.

All repair and maintenance costs are recognised in the profit or loss as incurred. The Group leases its restaurant locations by way of operating leases, which are not recognised in the Group's statement of financial position. The cost of improvements to leasehold assets is recognised as leasehold improvements and then depreciated as outlined below.

Costs directly related to purchasing of assets connected with opening restaurants in leased locations, including the costs of architecture design, legal assistance, wages and salaries, and benefits of employees directly involved in launching a given location are included in "property, plant and equipment". These assets are depreciated over the expected useful life of the restaurant.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	over the lease contract duration (usually 10 years, including first renewal period)
Computers and IT equipment	3 to 5 years
Vehicles	5 years
Other property, plant and equipment	2 to 10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Start-up expenses for new restaurants

Start-up expenses for new restaurants represent costs related to the opening of new restaurant premises. Such expenses include rent and payroll expenses, new personnel training and other overhead expenses that arise before the opening of new restaurants. Start-up expenses for new restaurants are recognised as operating expense in the accounting period in which the related work was performed.

2.3.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is, or contains a lease, if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2014, the date of inception is deemed to be 1 January 2014 in accordance with IFRS 1 *First-time Adoption of International Reporting Standards*.

2. Significant accounting policies (continued)

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in 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 profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term. Depending on contractual terms, the operating lease payment amounts are calculated for each restaurant as either a percentage of revenue (i.e. sales levels) with a minimum fixed monthly payment or as a fixed monthly payment. Some lease agreements contain escalation clauses.

For leases with fixed escalating payments and/or fit-out works incentives received, the Group records rent expense on a straight-line basis over the lease term. Contingent rentals are based on sales levels in excess of stipulated amounts, and thus are not considered minimum lease payments and are included in rent expense when attainment of the contingency is considered probable (i.e. when Group's sales occur).

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and depreciated over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

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

Intangible assets with finite useful lives are amortised on a straight-line basis over the useful economic lives from 3 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

2. Significant accounting policies (continued)

Franchise rights

Franchise costs are incurred in obtaining franchise rights or licences to operate quick service and take-away restaurant concepts. They include the initial fee paid to the system franchisor when a new restaurant is opened or when the rights and licences are renewed. These are measured at cost less accumulated amortisation and accumulated impairment. Amortisation is on a straight line basis over the life of the applicable franchise or licence agreement, of 10 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.3.9 Impairment of non-financial assets

At each reporting date, management assesses whether there is any indication of impairment for property, plant and equipment or intangible assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as an expense (impairment loss) in the statement of comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

For the purpose of impairment testing each restaurant is a cash generating unit.

2.3.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

The Group’s financial assets are represented by loans and receivables and cash and cash equivalents.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date on which the Group commits to purchase or sell the asset.

2. Significant accounting policies (continued)

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss.

For more information on receivables, refer to Note 16. Receivables due in less than 12 months are not discounted.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of its continuing involvement in it. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of financial assets

Disclosures relating to impairment of financial assets are summarised in the following notes:

- Financial instruments risk management — Note 14
- Trade receivables — Note 16

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred ‘loss event’), has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. Significant accounting policies (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the losses arising from impairment are recognised in profit or loss in ''Finance costs'' for loans and in ''Other operating expenses'' for receivables. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If a write-off is later recovered, the recovery is credited to profit or loss in "Finance costs" for loans and in "Other operating expenses, net" for trade receivables.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities measured at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities measured at amortised cost, net of directly attributable transaction costs.

The Group's financial liabilities include only financial liabilities measured at amortised cost (trade and other payables and loans and borrowings).

Subsequent measurement

After initial recognition, interest bearing loans and borrowings and any other long-term payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

Trade and other payables with a maturity of 12 months or less are not discounted.

2. Significant accounting policies (continued)

De-recognition

A financial 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 a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.3.11 Inventories

Inventories, which include food, beverages and other supplies, are stated at the lower of cost or net realisable value. Cost of inventory is determined on the weighted-average basis and includes expenditures incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense and reported as a component of cost of sales in the statement of comprehensive income in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the same component of the statement of comprehensive income as the consumption of the respective inventory, in the period the write-down or loss occurs.

2.3.12 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits.

For the purpose of the statement cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

2.3.13 Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year. Prepayments to acquire current assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Prepayments to acquire property, plant and equipment are classified as construction in progress. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss.

2. Significant accounting policies (continued)

2.3.14 Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws of Romania, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.3.15 Royalties

Royalties in connection to franchise rights are recognised as an expense as restaurants revenue is earned.

2.3.16 Provisions

General

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. Where 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 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.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2.3.17 Employee benefits

The Group, in the normal course of business, makes payments on behalf of its employees for pensions (defined contribution plans), health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances, travel expenses and holiday allowances are also calculated according to the local legislation.

The cost of these payments is charged to the statement of comprehensive income in the same period as the related salary cost. Accruals are created for holiday allowances if there are non-used holidays according the local legislation.

2. Significant accounting policies (continued)

The Group does not operate any other pension scheme or post-retirement benefits plan and consequently, has no obligation in respect of pensions.

2.4 First-time adoption of IFRS

These financial statements, for the year ended 31 December 2016, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2015, the Group prepared its consolidated financial statements in accordance with Romanian Accounting Regulations (''RAR'' or ''Local GAAP'').

The Group has prepared financial statements that comply with IFRS applicable for the year ended 31 December 2016, together with the comparative period data for the years ended 31 December 2015 and 2014, as described in the summary of significant accounting policies. In preparing these consolidated financial statements, the Group's opening statement of financial position was prepared as at 1 January 2014, being the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2014, the statement of financial position as at 31 December 2016 and the statement of comprehensive income for the year ended 31 December 2016.

As of 1 January 2014, the reconciliation of equity was performed between the Group's RAR and IFRS consolidated accounts. The Group did not prepare and issue its consolidated accounts under RAR for 31 December 2016, and therefore the reconciliation of equity and total comprehensive income as of this date is performed between US Food Network SA and its subsidiaries stand-alone statutory accounts, prepared in accordance with RAR, Moldavian and Italian GAAP, and the Group IFRS consolidated accounts.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Group did not apply any of the optional exemptions.

Estimates

The estimates at 1 January 2014 and at 31 December 2014, 2015 and 2016 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies).

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2014, the date of transition to IFRS, and as at 31 December 2014, 2015 and 2016.

All amounts in RON thousand, unless specified otherwise

2. Significant accounting policies (continued)

Group reconciliation of equity as at 1 January 2014 (date of transition to IFRS)
(only the elements affected by re-measurements are presented)

	Note	Local GAAP	Re-measurement	IFRS as at 1 January 2014
Assets				
Non-current assets		**36,311**	**10,331**	**46,642**
Property, plant and equipment	11	33,844	8,467	42,311
Intangible assets	10	2,303	1,849	4,152
Deferred tax assets	1	-	15	15
Current assets		**16,956**	**(190)**	**16,766**
Trade and other receivables	2	3,252	(190)	3,062
Total assets		**53,267**	**10,141**	**63,408**
Equity and liabilities				
Equity				
Issued capital	3	95	95	190
Retained earnings	1, 2, 3, 4, 5, 11	12,807	7,419	20,226
Equity attributable to equity holders of the parent		**12,891**	**7,514**	**20,405**
Total equity		**12,884**	**7,514**	**20,398**
Non-current liabilities		**12,829**	**2,592**	**15,421**
Trade and other payables	4	645	1,143	1,788
Deferred tax liabilities	1, 10	-	1,449	1,449
Current liabilities		**27,554**	**35**	**27,589**
Trade and other payables	5	18,775	59	18,834
Interest-bearing loans and borrowings		7,414	(24)	7,390
Total liabilities		**40,383**	**2,627**	**43,010**
Total equity and liabilities		**53,267**	**10,141**	**63,408**

All amounts in RON thousand, unless specified otherwise

2. Significant accounting policies (continued)

Group reconciliation of equity as at 31 December 2016
(only the elements affected by re-measurements are presented)

	Note	Local GAAP	Re-measurement	IFRS as at 31 December 2016
Assets				
Non-current assets		**41,868**	**12,378**	**54,246**
Property, plant and equipment	11	35,956	11,595	47,551
Intangible assets	10	5,622	743	6,365
Deferred tax assets	1	-	40	40
Current assets		**65,422**	**(23)**	**65,399**
Trade and other receivables	2	8,803	(23)	8,780
Total assets		**107,290**	**12,355**	**119,645**
Equity and liabilities				
Equity				
Issued capital	3	95	95	190
Retained earnings	1, 2, 3, 4, 5, 10, 11	46,507	11,617	58,124
Total equity		**46,541**	**11,712**	**58,253**
Non-current liabilities		**15,637**	**667**	**16,304**
Trade and other payables	4	1,007	667	1,674
Deferred tax liabilities	1, 10	-	-	-
Current liabilities		**45,112**	**(24)**	**45,088**
Trade and other payables	4,6	34,546	2,746	37,292
Interest-bearing loans and borrowings	5	7,880	(84)	7,796
Provisions	6	2,686	(2,686)	-
Total liabilities		**60,749**	**643**	**61,392**
Total equity and liabilities		**107,290**	**12,355**	**119,645**

All amounts in RON thousand, unless specified otherwise

2. Significant accounting policies (continued)

Reconciliation of total comprehensive income for the year ended 31 December 2016

	Note	Local GAAP	Re-measurement	IFRS for the year 2016
Restaurant sales	9	412,520	5,015	417,535
Restaurant expenses:				
Food and material expenses	8, 9	161,840	(4,538)	157,302
Payroll and employee benefits	6, 9	66,878	2,699	69,577
Rent	4, 9	27,696	(198)	27,498
Royalties	9	24,371	283	24,654
Advertising	9	20,506	230	20,736
Other operating expenses	6, 9	24,264	6,049	30,313
Depreciation and amortization	9, 10, 11	8,733	501	9,234
Restaurants operating profit		**78,232**	**(11)**	**78,221**
General and administration expenses, net	6, 9	23,837	(862)	22,975
Operating profit		**54,395**	**851**	**55,246**
Finance costs	5	849	(24)	825
Finance income	2	31	64	95
Profit before tax		**53,577**	**939**	**54,516**
Income tax expense	1	7,541	(1,758)	5,783
Profit for the year		**46,036**	**2,697**	**48,733**

Notes to the reconciliation of equity as at 1 January 2014 and 31 December 2016 and total comprehensive income for the year ended 31 December 2016

The IFRS re-measurements comprise the following:

Note 1- RAR does not provide for the recognition of deferred tax. For IFRS purposes, the Group recognised deferred tax, in line with the accounting policy presented in Note 2.3.5. For a comprehensive description of the main temporary differences giving rise to deferred tax and subsequent changes in tax legislation, please refer to Note 10.

Note 2 - before the date of transition to IFRS, the Group has granted an interest free loan to Cinnamon Bake&Roll SRL, a related party. Under Local GAAP, the Group has recognized the loan receivable at its nominal value, while IAS 39 requires that financial instruments are initially recognised at fair value. Where loans between related parties are not on arm's length terms, the fair value of such loans is not usually the same as the loan amount, In accordance with IAS 39 AG 64, the Group re-measured the loan at fair value, by determining the present value of future cash receipts using a market rate of interest for a similar instrument. Subsequently, the loan is measured at amortised cost, using the effective interest method, such that, at repayment, the carrying value of the loan will equal the amount to be repaid. The unwinding of the discount is reported as interest income.

Note 3 – the parent Company was set up in 1994 and operated during the period 1994-2003, when the Romania was classified as a hyperinflationary economy. As a result, the Group has restated the share capital contributions made until 31 December 2003. The impact on the net book value of property, plant and equipment acquired up 31 December 2003 which was still in operation as of the date of transition to IFRS was immaterial thus no related IAS 29 re-measurement of property, plant and equipment was recorded.

2. Significant accounting policies (continued)

Note 4 - the Group has concluded operating lease agreements containing fixed escalating payments. IAS 17 requires a straight-line recognition of the lease expenses over the lease agreement term. As a result, the Group has recorded an operating lease accrual in order reflect the requirements of IAS 17 and the increase in the overall rent expense in the first years of the contracts. The accrual balance as at 31 December 2016 is of 725, out of which 58 is included in the current portion of trade and other payables and 667 within the non-current portion of trade and other payables. The accrual balance as at 1 January 2014 is of 1,203, out of which 60 is included in the current portion of trade and other payables and 1,143 within the non-current portion of trade and other payables. In 2016 the Group has released to profit or loss, within ''Rent'' expenses, a portion of the accrual amounting to 198.

Note 5 - RAR does not provide for the initial recognition of financial liabilities at fair value net of transaction costs, nor for their subsequent measurement at amortised cost. As a result, the Group has re-measured the loans received at fair value, net of any origination fees and recognized the amortisation of these fees as a finance cost.

Note 6 - the Group has reclassified the untaken vacation accrual from short term provisions (recorded per local GAAP requirements) to trade and other payables in the statement of financial position. In the statement of comprehensive income for the year ended 31 December 2016, the impact of the reclassification was the following:

- Decrease of other operating income and expenses, net of 1,561
- Increase in payroll and employee benefits from restaurant expenses of 1,374 Increase in payroll and employee benefits from general and administrative expenses of 187

Note 7 - under the operating lease agreements concluded, the Group has received incentives for fit-out works provided free of charge by the landlords. Under RAR, the Group has deferred the amounts received for fit-out works over the contract term and recognised them in profit or loss in other operating income.

IFRS requires the recognition of the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis. Consequently, the Group reclassified an amount of 640 from other operating income as a reduction in rent expenses.

Note 8 - under RAR, the Group has recognised amounts invoiced to its suppliers for marketing and promotion activities as other operating income. The substance of such arrangements has been deemed to be that of a sale incentive (i.e. rebates) given to the Group by the suppliers. Under IFRS, consideration characterized as a sales incentive given by a vendor to a customer is presumed to be a reduction of the selling prices of the supplier's goods or services.

Accordingly, an amount of 6,492 was reclassified from other operating income as a reduction to the cost of goods purchased from the suppliers in ''Food and material'' expenses.

Note 9 - the Group has accounted under RAR one agreement concluded with a third party as a joint operation, in which each party to the agreement uses its own property, plant and equipment, carries its own inventories, incurs its own expenses and liabilities in order to contribute to the economic activities of the arrangement. According to the provisions of the arrangement, the Group has to make payments either in an agreed percentage of the restaurant net profit or as a minimum guaranteed amount.

2. Significant accounting policies (continued)

Under IFRS, the arrangement did not meet the criteria for joint control. Rather, in accordance with its substance, the minimum guaranteed payments represent an operating lease expenses made for the right to use the current restaurant location, with any excess amounts being treated as contingent rent. As a result, the Group has reversed the entries made under RAR and recognised for the year ended 31 December 2016 the net rent expense of 640:

- Increase in restaurant sales of 5,015
- Increase in food and material expenses of 1,955
- Increase in payroll and employee benefits of 1,325
- Increase in rent expenses of 640
- Increase in advertising expenses of 230
- Increase in royalties of 283
- Increase in depreciation of 160
- Decrease in general and administration expenses of 56
- Increase of other operating expenses of 479

Note 10 – Up to 2011, the Group has expensed under RAR the costs of the franchise rights acquired. Under the requirements of IAS 38, the Group has recognised these costs as an intangible asset, as follows:

- An increase in the net carrying amount of intangible assets (franchise rights) of 1,849 as at 1 January 2014
- An increase in the net carrying amount of intangible assets (franchise rights) of 743 as at 31 December 2016
- Recognition of an additional amortisation charge for franchise rights in 2016 of 327, presented under ‘’Depreciation and amortisation’’ in ‘’Restaurant expenses’’

Note 11 – Upon the date of transition to IFRS, the Group has applied the principles of IAS 16 and has reviewed the useful lives of its property, plant and equipment. The net carrying amount of property, plant and equipment has increased by 8,467 as at 1 January 2014 and by 11,595 respectively as at 31 December 2016. As a result of this change, the depreciation charge for the year 2016 decreased by 980.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Judgements

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

Classification of lease agreements

A lease is classified as a finance lease if it transfers to the Group substantially all the risks and rewards incidental to ownership, otherwise it is classified as an operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

If the lease term is longer than 75 percent of the economic life of the asset, or if at the inception of the lease the present value of the minimum lease payments amounts to at least 90 percent of the fair value of the leased asset, the lease is classified by the Group as finance lease, unless it is clearly demonstrated otherwise.

3. Significant accounting judgements, estimates and assumptions (continued)

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 parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of property and equipment

The Group assesses the remaining useful lives of items of property and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 ''Accounting Policies, Changes in Accounting Estimates and Errors''. These estimates may have a material impact on the amount of the carrying values of property and equipment and on depreciation recognised in profit or loss.

In particular, the Group assesses for its operating leases that generally have an initial term of 5 years with renewal option for another 5 years, that the leasehold improvements' useful life is of 10 years due to the fact that historically most of such leases have been renewed after the initial term of 5 years, that the refurbishment needed after the first 5 years is of significantly less value compared to the initial set-up, and that 10 years is also the duration of the related franchise.

4. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement
The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has assessed that the application of this standard will not have any significant impact on the financial position or performance of the Group.

IFRS 15 Revenue from Contracts with Customers
The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management has assessed that the application of this standard will not have any significant impact on the financial position or performance of the Group.

4. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted (continued)

IFRS 15: Revenue from Contracts with Customers (Clarifications)
The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management has assessed that the application of this standard (including the clarifications) will not have any significant impact on the financial position or performance of the Group.

IFRS 16: Leases
The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.
The Group is currently assessing the impact of the standard on its financial statements. Taking into consideration the significant number and value of signed lease agreements, the Group expects a significant impact following the adoption of the standard on its consolidated statement of financial position, and a less significant impact on its statement of comprehensive income.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Management has assessed that the application of the amendments will not have any impact on the financial position or performance of the Group.

IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)
The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. Management has assessed that the application of the amendments will not have any impact on the financial position or performance of the Group.

4. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted (continued)

IAS 7: Disclosure Initiative (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. Management has assessed that the application of these amendments will not have a significant impact on the disclosures from the financial statements of the Group.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Group.

IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Group.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration
The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Group, as it already followed an approach aligned with these requirements.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. Management has assessed that the application of these improvements will not have any impact on the financial position or performance of the Group.

All amounts in RON thousand, unless specified otherwise

4. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted (continued)

- ***IFRS 1 First-time Adoption of International Financial Reporting Standards*****:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- ***IFRS 12 Disclosure of Interests in Other Entities:*** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

5 Group information

Investments in controlled companies

Details of the Group consolidated subsidiaries at 31 December 2016, 2015, 2014 and 1 January 2014 are as follows:

Company name	Country of incorporation	Field of activity	Control 31 December 2016	Control 31 December 2015	Control 31 December 2014	Control 1 January 2014
ICS US Foods Network SRL	Moldova	Restaurants	80%	80%	80%	80%
US Food Network SRL Italia	Italy	Restaurants	100%	n/a	n/a	n/a

6 Other operating expenses, net

	2016	2015	2014
Third-party services	9,330	7,501	6,193
Utilities	8,721	7,893	7,387
Maintenance and repairs	3,906	2,978	2,542
Cleaning supplies	2,535	1,938	1,207
Small-wares	2,725	1,784	762
Transport	1,582	1,257	898
Telephone and postage	371	354	339
Insurance	185	156	159
Net gain/(loss) on disposal of property, plant and equipment	92	(10)	740
Change in provisions	-	(139)	(1,226)
Change in allowance for receivables	5	12	165
Miscellaneous expenses and income, net	861	841	184
Total	**30,313**	**24,565**	**19,350**

All amounts in RON thousand, unless specified otherwise

7 General and administrative expenses, net

	2016	2015	2014
Payroll and employee benefits	9,317	6,837	5,824
Third-party services	7,359	4,970	5,629
Depreciation and amortization	590	493	481
Rent	1,392	1,244	1,143
Banking charges	1,046	950	753
Transport	811	713	541
Maintenance and repairs	990	264	303
Small-wares	444	192	56
Insurance	224	157	149
Advertising	143	47	42
Telephone and postage	251	207	167
Miscellaneous expenses and income, net	408	58	211
Total	**22,975**	**16,132**	**15,299**

8 Disclosure of total payroll and employee benefits expense and total depreciation and amortization expense

8.1 Payroll and employee benefits

	2016	2015	2014
Payroll and employee benefits recognized in "Restaurant expenses"	69,577	50,513	40,400
Payroll and employee benefits recognized in "General and administration expenses, net"	9,317	6,837	5,824
Total payroll and employee benefits	**78,894**	**57,350**	**46,224**
Of which, defined contribution to State pension plan:	9,022	6,597	6,535

8.2 Depreciation and amortization

	2016	2015	2014
Depreciation and amortization recognized in "Restaurant expenses"	9,234	7,833	8,238
Depreciation and amortization recognized in "General and administration expenses, net"	590	493	481
Total depreciation and amortization	**9,824**	**8,326**	**8,719**

All amounts in RON thousand, unless specified otherwise

9 Finance costs and income

9.1 Finance costs

	2016	2015	2014
Interest on loans and borrowings	518	406	534
Finance charges payable under finance leases	18	18	21
Foreign exchange loss, net	289	107	423
Total finance costs	**825**	**531**	**978**

9.2. Finance income

	2016	2015	2014
Interest income	95	398	240
Total finance income	**95**	**398**	**240**

10 Income tax

The major components of income tax expense for the years ended 31 December 2016, 2015 and 2014 are:

	2016	2015	2014
Current income tax:			
Current income tax charge	7,541	7,154	4,341
Deferred tax:			
Relating to origination and reversal of temporary differences	(1,758)	97	187
Income tax expense reported in the statement of comprehensive income	**5,783**	**7,251**	**4,528**

A reconciliation between tax expense and the product of accounting profit multiplied by Romania's domestic tax rate for the years ended 31 December 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Accounting profit before income tax	**54,516**	**49,005**	**30,393**
At statutory income tax rate of 16%	8,723	7,841	4,863
Effect of lower tax rates in the Republic of Moldova	(13)	(40)	(37)
Other income exempted from tax	(49)	-	-
Utilisation of previously unrecognised tax losses	-	-	(18)
Sponsorship fiscal credit	(1,633)	(1,015)	(699)
Effect of changes in the tax legislation and tax rates	(1,892)	-	-
Non-deductible expenses for tax purposes	647	465	419
At the effective income tax rate	**5,783**	**7,251**	**4,528**

All amounts in RON thousand, unless specified otherwise

10 Income tax (continued)

Deferred tax

Deferred tax reconciliation with corresponding items in the consolidated statement of financial position and consolidated statement of comprehensive income is as follows:

	Statement of financial position				Statement of comprehensive income		
	2016	**2015**	**2014**	**1 Jan 2014**	**2016**	**2015**	**2014**
Deferred tax relates to the following:							
Property, plant and equipment	22	(1,693)	(1,588)	(1,353)	(1,715)	105	235
Franchise rights	-	(172)	(231)	(296)	(172)	(59)	(65)
Operating lease incentives	18	143	180	188	125	37	8
Loans and borrowings	-	4	18	27	4	14	9
Deferred tax expense/(credit)					**(1,758)**	**97**	**187**
Net deferred tax assets/(liabilities)	**40**	**(1,718)**	**(1,621)**	**(1,434)**			

The Group offsets tax assets and 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 tax authority.

In January 2017, the Romanian taxation regulations have changed for the companies active in the restaurant industry. Specifically, per the updated regulations, the income tax for the restaurant activity has been replaced by a specific tax, computed based on a minimum fix amount multiplied by the impact of three criteria: restaurant area, restaurant location and seasonality. The taxation of the non-restaurant activities has not suffered changes.

Given that as at 31 December 2016 the new taxation system applicable to the Romanian entity (the parent Company) was substantively enacted (becoming effective from January 2017), the parent Company has reversed previously recognised deferred tax balances, as this constitutes in substance a change to a zero tax rate (the reversal of temporary differences in the future will not create any taxable or deductible amounts).

The remaining deferred tax in balance as of 31 December 2016 refers to taxable differences of the Moldavian subsidiary.

All amounts in RON thousand, unless specified otherwise

11. Property, plant and equipment

	Leasehold improvements	Plant and machinery	Other equipment	Construction in progress	Total
Cost					
At 1 January 2014	**36,544**	**32,103**	**8,758**	**84**	**77,489**
Additions	1,600	1,056	781	1,139	**4,576**
Disposals	2,407	112	229	468	**3,216**
At 31 December 2014	**35,737**	**33,047**	**9,310**	**755**	**78,849**
Additions	4,235	4,040	2,047	977	**11,299**
Disposals	-	9	403	364	**776**
At 31 December 2015	**39,972**	**37,078**	**10,954**	**1,368**	**89,372**
Additions	4,746	6,074	2,778	2,451	**16,049**
Disposals	92	-	-	513	**605**
At 31 December 2016	**44,626**	**43,152**	**13,732**	**3,306**	**104,816**
Depreciation					
At 1 January 2014	**14,501**	**15,897**	**4,780**	**-**	**35,178**
Depreciation charge for the year	3,997	2,709	1,338	-	**8,044**
Disposals	1,848	83	221	-	**2,152**
At 31 December 2014	**16,650**	**18,523**	**5,897**	**-**	**41,070**
Depreciation charge for the year	3,458	2,755	1,415	-	**7,628**
Disposals	-	9	401	-	**410**
At 31 December 2015	**20,108**	**21,269**	**6,911**	**-**	**48,288**
Depreciation charge for the year	3,757	3,792	1,428	-	**8,977**
At 31 December 2016	**23,865**	**25,061**	**8,339**	**-**	**57,265**
Net Book Value					
At 1 January 2014	**22,043**	**16,206**	**3,978**	**84**	**42,311**
At 31 December 2014	**19,087**	**14,524**	**3,413**	**755**	**37,779**
At 31 December 2015	**19,864**	**15,809**	**4,043**	**1,368**	**41,084**
At 31 December 2016	**20,761**	**18,091**	**5,393**	**3,306**	**47,551**

The Group has several finance lease contracts for motor vehicles. The carrying value of the leased assets as of 31 December 2016, 31 December 2015, 31 December 2014 and 1 January 2014 was: 485, 423, 425 and 605 respectively. The assets acquired under finance lease are pledged in favour of the leasing company.

As of 31 December 2016, 31 December 2015, 31 December 2014 and 1 January 2014, the gross book value of fully depreciated property, plant and equipment that were still in use amounted to 18,926, 14,842, 11,092 and 8,503 respectively.

The Group has pledged non-current assets (mostly equipment) in favour of Alpha Bank for the financing received. The net carrying amount of pledged assets as at 31 December 2016 is of 35,517 (31 December 2015: 28,659 31 December 2014: 25,786 and 1 January 2014: 26,428).

The additions in 2016, 2015 and 2014 consist mainly in new restaurants' leasehold improvements, as well as restaurants' kitchen equipment.

All amounts in RON thousand, unless specified otherwise

12. Intangible assets

	Franchise rights	Other intangible assets	Intangibles in progress	Total
Cost				
At 1 January 2014	**6,725**	**11**	**131**	**6,867**
Additions	561	4	79	644
Disposals	172	-	210	382
At 1 January 2015	**7,114**	**15**	**-**	**7,129**
Additions	1,086	9	151	**1,246**
Disposals	26	-	-	**26**
At 31 December 2015	**8,174**	**24**	**151**	**8,349**
Additions	2,257	63	594	**2,914**
At 31 December 2016	**10,431**	**87**	**745**	**11,263**
Amortisation				
At 1 January 2014	**2,704**	**11**	**-**	**2,715**
Amortisation	675	-	-	**675**
Disposals	26	-	-	**26**
At 1 January 2015	**3,353**	**11**	**-**	**3,364**
Amortisation	698	-	-	**698**
Disposals	11	-	-	**11**
At 31 December 2015	**4,040**	**11**	**-**	**4,051**
Amortisation	838	9	-	**847**
At 31 December 2016	**4,878**	**20**	**-**	**4,898**
Net book value				
At 1 January 2014	**4,021**	**-**	**131**	**4,152**
At 31 December 2014	**3,761**	**4**	**-**	**3,765**
At 31 December 2015	**4,134**	**13**	**151**	**4,298**
At 31 December 2016	**5,553**	**67**	**745**	**6,365**

Additions during 2016, 2015 and 2014 consisted mainly in franchise operating licenses acquired for newly opened restaurants each year.

All amounts in RON thousand, unless specified otherwise

13. Interest-bearing loans and borrowings

	Interest rate, %	Maturity	2016	2015	2014	1 Jan 2014
Current interest-bearing loans and borrowings						
Obligations under finance leases	EURIBOR 3M+4.5%	11.03.2017	-	-	153	146
	EURIBOR 3M+4.5%	21.05.2019	174	194	-	-
Bank loan	EURIBOR 3M + 2.85%	5 years from each withdrawal	7,622	6,440	6,225	7,244
Total current interest-bearing loans and borrowings			**7,796**	**6,634**	**6,378**	**7,390**
Non-current interest-bearing loans and borrowings						
Obligations under finance leases	EURIBOR 3M+4.5%	11.03.2017	-	-	209	362
	EURIBOR 3M+4.5%	21.05.2019	226	201	-	-
Bank loan	EURIBOR 3M + 2.85%	5 years from each withdrawal	14,404	11,586	8,564	11,822
Total non-current interest-bearing loans and borrowings			**14,630**	**11,787**	**8,773**	**12,184**
Total interest-bearing loans and borrowings			**22,426**	**18,421**	**15,151**	**19,574**

The Group has a credit facility from Alpha Bank Romania made up of 3 sub-limits, as follows: credit facility for the development of new locations, issuance of bank guarantee letters and credit card. The loan is secured with property, plant and equipment of each restaurant location for which the credit limited has been utilised. The carrying amount of pledged property, plant and equipment and cash and cash equivalents is disclosed in Notes 11 and 17.

Covenants:

The Group's borrowing arrangement with the Bank contains several covenants, mainly of quantitative nature, out of which the most important relates to the level of the service debt (whereby service debt is equal to EBITDA/ [principal plus interest payable]), which should exceed for any month 2.5.

Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of for the years ended 31 December 2016, 2015 and 2014.

All amounts in RON thousand, unless specified otherwise

14. Financial instruments risk management

The Group's principal financial liabilities comprise loans and borrowings, including finance leases and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets are represented by loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations, as well as long-term deposits to guarantee rent payables.

The Group is exposed to interest rate risk, foreign exchange rate risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management ensures the Group's financial risk activities are performed under appropriate procedures and that financial risks are identified, measured and managed in accordance with Group risk appetite.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Trade and other receivables and payables are non-interest bearing financial assets and liabilities. The borrowings are usually exposed to interest rate risk through market value fluctuations of interest-bearing long-term and short-term credit facilities. Interest rates on the Group's debt finance are variable. The interest rates on credit facilities of the Group are disclosed in Note 13. Changes in interest rates impact primarily loans and borrowings by changing either their future cash flows (variable rate debt). Management policy is to resort mainly to variable rate financing. However, at the time of rising new loans or borrowings management uses its judgment to decide whether it believes that fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Group's profit before tax and equity are affected through the impact on floating rate borrowings, as follows:

	Increase in basis points	Effect on profit before tax
2016		
EUR	1%	(224)
2015		
EUR	1%	(184)
2014		
EUR	1%	(151)
1 Jan 2014	1%	
EUR		(195)

The Group does not hedge its interest rate risk.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. An equal decrease of the interest rate would have the same effect but of opposite impact.

All amounts in RON thousand, unless specified otherwise

14. Financial instruments risk management (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities, as the financing contracted by the Group is Euro based. The vast majority of revenues and expenses, trade and other receivables and payables is in RON.

The Group monitors the currency risk by following changes in exchange rates in currencies in which its intercompany balances and external debts are denominated. The Group does not have formal arrangements to mitigate its currency risk.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the EUR and US dollar exchange rate. The Group's exposure to foreign currency changes for all other currencies is not material. With all other variables held constant the Group's profit before tax and equity (excluding translation of Italian subsidiary for presentation into RON) are affected as follows:

	Increase in EUR rate	Effect on profit before tax	Increase in USD rate	Effect on profit before tax
31 December 2016	1%	(229)	1%	(23)
31 December 2015	1%	(186)	1%	(19)
31 December 2014	1%	(154)	1%	(27)
1 January 2014	1%	(197)	1%	(12)

An equal decrease of the EUR/USD rate would have the same effect but of opposite impact.

Credit risk

The Group is not significantly exposed to credit risk as the majority of its sales are on a cash basis. The Group's credit risk is primarily attributed to trade and other receivables and balances with banks. The carrying amount of trade and other receivables, net of allowance for impairment (Note 16 and deposits for rent guarantee as per statement of financial position) plus balances with banks (Note 17), represent the maximum amount exposed to credit risk. Management believes that there is no significant risk of loss to the Group beyond the allowances already recorded.

The Group invests cash and cash equivalents with highly reliable financial institutions. The Group has only plain vanilla deposits with reputable banks, none of which has experienced any difficulties in 2016 or up to the date of these consolidated financial statements. The majority of cash is transacted through and placed with Alpha Bank Romania, member of Alpha Bank Group from Greece and Banca Romana de Dezvoltare (BRD), a member of Societe Generale Group from France. The long-term credit rating of Alpha Bank Greece is Caa3 as provided by Moody's rating agency, no credit rating being available for its Romanian subsidiary. The long-term credit rating of BRD provided by Moody's is Baa3.

There is no significant concentration of credit risk in respect of trade and other receivables due to the fact that sales are based mainly on cash and credit card payments. Therefore there are no formal policies in the Group to manage credit risk for trade receivables. The Group's credit risk is primarily attributed to loans and receivables from related parties, for which the probability of losses is considered remote.

All amounts in RON thousand, unless specified otherwise

14. Financial instruments risk management (continued)

Liquidity risk

The Group has adopted a prudent financial liquidity management approach, assuming that sufficient cash and cash equivalents are maintained and that further financing is available from guaranteed funds from credit lines. The tables below summarizes the maturity profile of the Group's financial liabilities, including principal amounts and interests according to contractual terms, at 31 December 2016, 31 December 2015, 31 December 2014 and 1 January 2014 based on contractual undiscounted payments.

31 December 2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	20	2,203	6,105	15,017	190	23,535
Trade and other payables	4,391	20,058	43	1,674	-	26,166
Total:	**4,411**	**22,261**	**6,148**	**16,691**	**190**	**49,701**

31 December 2015	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	15	1,892	5,111	11,821	479	19,318
Trade and other payables	2,345	16,696	248	1,827	-	21,116
Total:	**2,360**	**18,588**	**5,359**	**13,648**	**479**	**40,434**

31 December 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	13	2,014	4,675	9,105	-	15,807
Trade and other payables	4,713	14,523	177	1,597	-	21,010
Total:	**4,726**	**16,537**	**4,852**	**10,702**	**-**	**36,817**

1 January 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	19	2,139	5,752	12,589	108	20,607
Trade and other payables	7,374	4,212	45	1,788	-	13,419
Total:	**7,393**	**6,351**	**5,797**	**14,377**	**108**	**34,026**

At 31 December 2016, the Group had available 50,323 of undrawn committed borrowing facilities (31 December 2015: 59,936, 31 December 2014: 67,736 and 1 January 2014: 60,046), thus being able to respond to any unforeseen higher cash outflow needs. The credit facilities above are available to both the Group and American Restaurant System SA (a related party, see Note 24) for drawing, without a limit between them.

All amounts in RON thousand, unless specified otherwise

14. Financial instruments risk management (continued)

Capital management

Capital includes the equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group may monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group does not have a target gearing ratio, as the overall gearing is low. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash deposits, excluding discontinued operations.

	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Interest-bearing loans and borrowings	22,426	18,421	15,151	19,574
Financial trade and other payables	26,167	21,117	21,011	13,419
Less: cash and short-term deposits	48,968	43,599	28,912	8,560
Net debt	**(375)**	**(4,061)**	**7,250**	**24,433**
Equity	58,292	50,479	33,449	20,405
Capital and net debt	**57,917**	**46,418**	**40,699**	**44,838**
Gearing ratio:	n/a	n/a	18%	54%

The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. For the covenants in force as at 31 December 2016, 2015, 2014 and 1 January 2014, please refer to Note 13.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016, 2015 and 2014.

Fair values

The Group has no financial instruments carried at fair value in the statement of financial position.

The carrying amount of the interest bearing loans and borrowings approximate their fair value. Management estimates that the margin applicable over Euribor at the balance sheet date would be similar to the ones at the dates of each previous withdrawal, due to the fact that the Group maintained over the past years a low gearing ratio and a stable financial condition, and also based on statistics published by the National Bank of Romania.

Financial instruments which are not carried at fair value on the statement of financial position also include deposits to guarantee rent, trade and other receivables, cash and cash equivalents, and trade and other payables.

The carrying amounts of these financial instruments are considered to approximate their fair values, due to their short term nature (in majority) and low transaction costs of these instruments.

All amounts in RON thousand, unless specified otherwise

15. Inventories

	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Raw materials	3,979	3,704	3,039	2,748
Consumables	1,211	1,428	810	535
Finished goods	554	585	312	226
Total inventories	**5,744**	**5,717**	**4,161**	**3,509**

During 2016, inventories amounting to 163,006 (2015: 127,055, 2014: 100,430) were recognised as an expense in profit or loss, in ''Food and materials'' as well as in ''General and administrative expenses, net'' ("Small-wares" and "Cleaning supplies").

16. Trade and other receivables

	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Trade receivables, net	1,233	1,394	1,252	217
Trade receivables from related parties	442	826	806	1,312
Advances to related parties	4,531	-	-	-
Loans to related parties	483	419	364	509
Tax receivables	440	861	160	47
Advance to suppliers	974	315	231	412
Meal tickets	677	604	586	514
Other debtors	-	19	74	51
Total	**8,780**	**4,438**	**3,473**	**3,062**

Terms and conditions relating to related party transactions are described in Note 24.

Trade receivables are non-interest bearing and are generally on terms of 30-90 days.

As at 31 December 2016, trade receivables with a value of 384 were impaired and fully provided for. See below for the movements in the provision for impairment of receivables:

	Total
At 1 January 2014	**203**
Charge for the year	165
At 31 December 2014	**368**
Charge for the year	12
At 31 December 2015	**380**
Charge for the year	4
At 31 December 2016	**384**

16. Trade and other receivables (continued)

The ageing analysis of trade receivables and trade receivables from related parties, net of allowances, is, as follows:

			Past due but not impaired				
	Total	**Neither past due not impaired**	**< 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**> 120 days**
2016	1,675	361	1,061	75	10	3	165
2015	2,220	1,968	102	14	43	10	83
2014	2,058	1,874	65	68	13	3	35
1 Jan 2014	1,529	879	65	103	42	62	378

17. Cash and short-term deposits

	31 December 2016	**31 December 2015**	**31 December 2014**	**1 January 2014**
Cash at banks and on hand	35,874	31,798	16,403	1,720
Cash in transit	340	70	55	36
Short-term deposits	12,754	11,731	12,454	6,804
Total	**48,968**	**43,599**	**28,912**	**8,560**

Deposits at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group.

As part of the financing agreement with Alpha Bank the Group has pledged the cash available in the accounts opened with the bank. The balance of the pledged bank accounts as at 31 December 2016 is of 44,239 (31 December 2015: 41,014, 31 December 2014: 26,640 and 1 January 2014: 6,689).

18. Issued capital

	31 December 2016	**31 December 2015**	**31 December 2014**	**1 January 2014**
Authorised shares				
Ordinary shares of 0.25 RON each	380,000	380,000	380,000	380,000
Share capital (RON thousand)	95	95	95	95
Hyperinflation (RON thousand)	95	95	95	95

The Group's shareholders at 31 December 2016 are Lunic Franchising and Consulting Ltd. (22.34%), Tatika Investments (27.33%), M.B.L. Computers (23%), Wellkept Group SA (16.34%) and Anasa Properties SRL (10.99%).

The Group's shareholders at 31 December 2015 and 2014 were: Lunic Franchising and Consulting Ltd. (22.34%), Tatika Investments (27.33%), Blandon Enterprises Ltd. (27.33%) and M.B.L. Computers (23%).

The Group's shareholders at 1 January 2014 were: Lunic Franchising and Consulting Ltd. (22.22%), Tatika Investments (27.5%), Blandon Enterprises Ltd. (27.5%) and M.B.L. Computers (22.78%).

All amounts in RON thousand, unless specified otherwise

19. Distributions made and proposed

	2016	2015	2014
Declared and paid during the year:			
To owners of the parent	40,961	24,483	12,665
To non-controlling interests	84	153	133
Total dividends for the year	**41,045**	**24,636**	**12,798**
Dividends per share (RON/share)			
To owners of the parent	107.79	64.43	33.33

During 2017, the Group distributed dividends to owners of the parent in amount of 46,236 (dividends per share of RON 121.67/share) and to non-controlling interests in amount of 70.

20. Provisions

	Other provisions for risks and charges	Total
At 1 January 2014	**1,365**	**1,365**
Utilised	1,226	**1,226**
At 31 December 2014	**139**	**139**
Unused amounts reversed	139	**139**
At 31 December 2015	**-**	**-**
At 31 December 2016	**-**	**-**

21. Trade and other payables

	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Trade payables	23,781	14,882	14,474	9,235
Trade payables to related parties	55	3,369	4,015	1,667
Salary liability	7,679	4,615	2,849	2,665
Social contribution liability	2,001	1,734	1,072	963
Other employee related liabilities	739	658	384	345
Current income tax	1,848	1,925	1,431	542
VAT payable	32	-	2,489	2,173
Other taxes	500	372	311	515
Other payables	2,331	2,866	2,522	2,517
Total	**38,966**	**30,421**	**29,547**	**20,622**
Less: non-current portion of other payables	1,674	1,827	1,597	1,788
Trade and other payables, current	**37,292**	**28,594**	**27,950**	**18,834**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms
- For terms and conditions relating to related parties, refer to Note 24

All amounts in RON thousand, unless specified otherwise

21. Trade and other payables (continued)

The other current and non-current payables are summarized below:

	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Lease incentives (current and non-current)	725	922	1,150	1,203
Free of charge fit-outs (current and non-current)	1,528	1,875	1,361	1,235
Other payables (current)	78	69	11	79
Total	**2,331**	**2,866**	**2,522**	**2,517**

The lease incentive amounts relate to accruals recorded by the Group in order to allocate the lease incentives provided by landlords over the contractual period on a straight line basis. The free of charge fit-outs are represented by free of charge fit-out works/cash incentives received from landlords. The Group has recognized the amounts received in other payables and releases it to profit and loss over the contractual period. For additional information, please refer to Note 2.4 ''First time adoption''.

22. EBITDA

	Note	2016	2015	2014
Operating profit		**55,246**	**49,138**	**31,131**
Adjustments to bridge operating profit to EBITDA:				
Depreciation and amortization included in restaurant expenses	8.2	9,234	7,833	8,238
Depreciation and amortization included in general and administration expenses	8.2	590	493	481
EBITDA		**65,070**	**57,464**	**39,850**

EBITDA is one of the key performance measures monitored by senior management. EBITDA would be normalized to exclude any significant one-off items (either revenues or expenses) but no such exclusions were necessary for the years ended 31 December 2016, 2015 and 2014.

23. Commitments and contingencies

Operating lease commitments — Group as lessee

The Group has entered into operating lease agreements for the premises of most of its restaurants. The lease terms are between five and ten years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Within one year	23,303	21,352	21,405	20,632
After one year but not more than five years	56,836	57,988	66,423	73,540
More than five years	23,987	18,519	23,015	31,987
Total:	**104,126**	**97,859**	**110,843**	**126,159**

All amounts in RON thousand, unless specified otherwise

23. Commitments and contingencies (continued)

Finance leases

The Group has finance leases for vehicles. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

	31 December 2016		31 December 2015		31 December 2014		1 January 2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	186	174	209	194	166	153	167	146
After one year but not more than five years	239	226	210	201	216	209	382	362
More than five years	-	-	-	-	-	-	-	-
Total minimum lease payments	**425**	**400**	**419**	**395**	**382**	**362**	**549**	**508**
Less amounts representing finance charges	25	-	24	-	20	-	41	-
Present value of minimum lease payments	**400**	**400**	**395**	**395**	**362**	**362**	**508**	**508**

Bank letter of guarantees

The Group has issued bank letters of guarantee in favour of suppliers as at 31 December 2016 in amount of 5,257 (31 December 2015: 4,719, 31 December 2014: 4,160 and 1 January 2014: 3,874).

All amounts in RON thousand, unless specified otherwise

24. Related party disclosures

During the period from 1 January 2014 to 31 December2016, the Group has carried out transactions with the following related parties:

Related party	Nature of the relationship	Country of incorporation	Nature of transactions
Cinnamon Bake&Roll SRL	Entity with several common members of key management personnel	Romania	Sale of goods and services, loans provided
American Restaurant System SA	Entity with several common members of key management personnel	Romania	Sale of services, acquisition of goods
Moulin D'Or SRL	Entity with several common members of key management personnel	Romania	Sale of goods and services

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Related party					
Cinnamon Bake&Roll SRL	**2016**	22	5	257	5
American Restaurant System SA		721	76,069	4,694	50
Moulin D'Or SRL		136	648	22	-
		879	**76,722**	**4,973**	**55**
Cinnamon Bake&Roll SRL	**2015**	191	16	737	-
American Restaurant System SA		554	79,171	89	3,369
		745	**79,187**	**826**	**3,369**
Cinnamon Bake&Roll SRL	**2014**	19	9	713	3
American Restaurant System SA		449	61,749	93	4,012
		468	**61,758**	**806**	**4,015**
Cinnamon Bake&Roll SRL	**1 Jan 2014**	-	-	883	2
American Restaurant System SA		-	-	429	1,665
		-	**-**	**1,312**	**1,667**

During 2010-2013, the Group has granted an interest free loan to Cinnamon Bake&Roll SRL. The loan balance as at 31 December 2016 was of 483 (31 December 2015: 419, 31 December 2014: 364 and 1 January 2014: 509).

All amounts in RON thousand, unless specified otherwise

24. Related party disclosures (continued)

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2016, 2015, and 2014, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group:

	2016	2015	2014
Short-term employee benefits	1,929	1,140	844
Fees paid to management entity	3,057	2,191	2,384
Total compensation paid to key management personnel	**4,986**	**3,331**	**3,228**

The amounts disclosed in the table are the amounts recognised as an expense during each reporting period.

25. Events after the reporting period

In 2017, the shareholders of the parent Company have set-up a new entity called Sphera Franchise Group SA (''Sphera''). As of the date of these consolidated financial statements, Sphera has become the parent company of USFN, following the contribution by the existing shareholders of their shares in USFN in exchange for shares in Sphera. The purpose of the group reorganization was to ensure a better coordination of activities and enhance value creation, by taking advantage of the synergies at group level and by achieving economies of scale. In terms of activities,

In January 2017, the Romanian taxation regulations have changed for the companies active in the restaurant industry, more comprehensive details being provided in Note 10.

During 2017, the Group distributed dividends to owners of the parent in amount of 46,236 (dividends per share of RON 121.67/share) and to non-controlling interests in amount of 70.

In June 2017, the Group has ceased the operation of its restaurant located in Oradea Shopping Centre, as a result of the landlord facing financial difficulties and foreclosure procedures.

Up to the date of these financial statements, the Group has drawn additional EUR 4 million from its borrowing facility concluded with Alpha Bank.

AMERICAN RESTAURANT SYSTEM SA

FINANCIAL STATEMENTS

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

31 DECEMBER 2016

Contents

Ernst & Young Assurance Services SRL
Cladirea Bucharest Tower Center, et. 21
Bd. Ion Mihalache nr. 15-17, Sector 1
011171 Bucuresti, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AMERICAN RESTAURANT SYSTEM SA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AMERICAN RESTAURANT SYSTEM SA ("the Company"), which comprise the statement of financial position as at 31 December 2016, 31 December 2015, 31 December 2014 and 1 January 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, 31 December 2015, 31 December 2014 and 1 January 2014 and of its financial performance and its cash flows for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 in accordance with the International Financial Reporting Standards as adopted by the European Union and the accounting policies described in the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Building a better working world

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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 ISAs 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 the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 auditors’ report to the related disclosures in the financial statements 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 auditors’ 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

On behalf of

Ernst & Young Assurance Services SRL

Alina Dimitriu

Executive Director

Bucharest, Romania

August 9, 2017

All amounts in RON thousand, unless specified otherwise

	Notes	2016	2015	2014
Continuing operations				
Restaurant sales		96,940	75,867	63,130
Restaurant expenses:				
Food and material		26,107	19,718	16,881
Payroll and employee benefits	7.1	22,383	14,622	12,001
Rent		8,027	6,476	6,081
Advertising		5,785	4,245	3,590
Royalties		5,702	4,448	3,697
Other operating expenses, net	5	11,659	8,339	7,514
Depreciation and amortization	7.2	2,666	2,114	2,188
Restaurant operating profit		**14,611**	**15,905**	**11,178**
General and administration expenses, net	6	8,982	7,751	6,094
Operating profit		**5,629**	**8,154**	**5,084**
Finance costs	8.1	213	482	309
Finance income	8.2	127	19	7
Profit before tax from continuing operations		**5,543**	**7,691**	**4,782**
Income tax expense	9	361	1,170	667
Profit for the year from continuing operations		**5,182**	**6,521**	**4,115**
Discontinued operations				
Loss for the year from discontinued operations, net of tax	23	(1,953)	(397)	(595)
Profit for the year		**3,229**	**6,124**	**3,520**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive income for the year, net of tax		**3,229**	**6,124**	**3,520**

These financial statements from page 3 to page 44 were approved by the Board of Directors and were authorised for issue on 9 June 2017.

Adrian Hulubescu

General Manager American Restaurant System SA

All amounts in RON thousand, unless specified otherwise

	Notes	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Assets					
Non-current assets		**21,374**	**15,262**	**10,777**	**12,500**
Property, plant and equipment	10	18,201	13,265	9,653	11,208
Intangible assets	11	2,917	1,749	1,007	1,165
Deposits for rent guarantee		256	248	117	127
Current assets		**11,612**	**18,562**	**14,806**	**11,960**
Inventories	14	1,111	6,758	6,986	6,307
Trade and other receivables	15	6,089	5,363	5,849	3,849
Prepayments		1,118	867	665	517
Cash and short-term deposits	16	3,294	5,574	1,306	1,287
Assets held for sale	23	195	-	-	-
Total assets		**33,181**	**33,824**	**25,583**	**24,460**
Equity and liabilities					
Equity					
Issued capital	17	1,644	1,644	1,644	1,644
Share premium		-	-	-	2
Other capital reserves		21	21	21	21
Retained earnings		4,315	7,116	4,942	3,220
Total equity		**5,980**	**8,781**	**6,607**	**4,887**
Non-current liabilities		**7,865**	**4,448**	**1,243**	**2,607**
Interest-bearing loans and borrowings	12	7,536	3,692	492	1,927
Trade and other payables	19	329	302	307	151
Deferred tax liabilities	9	-	454	444	529
Current liabilities		**19,336**	**20,595**	**17,733**	**16,966**
Trade and other payables	19	15,401	18,477	16,298	14,579
Interest-bearing loans and borrowings	12	3,935	2,118	1,435	2,387
Total liabilities		**27,201**	**25,043**	**18,976**	**19,573**
Total equity and liabilities		**33,181**	**33,824**	**25,583**	**24,460**

These financial statements from page 3 to page 44 were approved by the Board of Directors and were authorised for issue on 9 June 2017.

All amounts in RON thousand, unless specified otherwise

	Issued capital	Share premium	Legal reserve	Retained earnings	Total equity
As at 1 January 2016	**1,644**	**-**	**21**	**7,116**	**8,781**
Profit for the period	-	-	-	3,229	3,229
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**3,229**	**3,229**
Cash dividends	-	-	-	(6,030)	(6,030)
At 31 December 2016	**1,644**	**-**	**21**	**4,315**	**5,980**

	Issued capital	Share premium	Legal reserve	Retained earnings	Total equity
As at 1 January 2015	**1,644**	**-**	**21**	**4,942**	**6,607**
Profit for the period	-	-	-	6,124	6,124
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**6,124**	**6,124**
Cash dividends	-	-	-	(3,950)	(3,950)
At 31 December 2015	**1,644**	**-**	**21**	**7,116**	**8,781**

	Issued capital	Share premium	Legal reserve	Retained earnings	Total equity
As at 1 January 2014	**1,644**	**2**	**21**	**3,220**	**4,887**
Profit for the period	-	-	-	3,520	3,520
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**3,520**	**3,520**
Transfer to reserves	-	(2)	-	2	-
Cash dividends	-	-	-	(1,801)	(1,801)
At 31 December 2014	**1,644**	**-**	**21**	**4,942**	**6,607**

These financial statements from page 3 to page 44 were approved by the Board of Directors and were authorised for issue on 9 June 2017.

All amounts in RON thousand, unless specified otherwise

	Notes	2016	2015	2014
Operating activities				
Profit before tax from continuing operations		5,543	7,691	4,782
Loss before tax from discontinued operations	23	(2,141)	(477)	(708)
Profit before tax		**3,402**	**7,124**	**4,074**
Adjustments to reconcile profit before tax to net cash flows:				
Depreciation of property, plant and equipment	10	2,862	2,208	2,268
Amortisation of intangible assets	11	323	210	202
Impairment of assets held for sale	23	966	-	-
Net foreign exchange differences		54	3	(129)
Loss/(Gain) on disposal of property, plant and equipment		115	(56)	391
Finance income	8.2	(18)	(19)	(7)
Finance costs	8.1	213	97	100
Movements in current asset allowances		-	19	2
Working capital adjustments:				
(Increase)/decrease in trade and other receivables and prepayments		(985)	153	(2,146)
(Increase)/decrease in inventories		5,647	209	(673)
Increase/(decrease) in trade and other payables		(2,489)	1,896	1,828
Interest received		18	19	7
Interest paid		(240)	(119)	(100)
Income tax paid		(1,186)	(801)	(592)
Net cash flows from operating activities		**8,682**	**11,033**	**5,225**
Investing activities				
Proceeds from sale of property, plant and equipment		33	56	15
Purchase of intangibles		(1,491)	(953)	(44)
Purchase of property, plant and equipment		(9,107)	(5,819)	(1,119)
Net cash flows used in investing activities		**(10,565)**	**(6,716)**	**(1,148)**
Financing activities				
Payment of finance lease liabilities		(201)	-	(107)
Proceeds from borrowings		8,603	6,359	-
Repayment of borrowings		(2,769)	(2,458)	(2,151)
Dividends paid to equity holders		(6,030)	(3,950)	(1,800)
Net cash flows used in financing activities		**(397)**	**(49)**	**(4,058)**
Net increase/(decrease) in cash and cash equivalents		(2,280)	4,268	19
Cash and cash equivalents at 1 January		**5,574**	**1,306**	**1,287**
Cash and cash equivalents at 31 December		**3,294**	**5,574**	**1,306**

These financial statements from page 3 to page 44 were approved by the Board of Directors and were authorised for issue on 9 June 2017.

1. Corporate information

These financial statements are prepared by American Restaurant System SA, referred hereinafter as ''ARS' or ''the Company'', and reflect the results of its operations and activities.

The financial statements for the year ended 31 December 2016 were authorized for issue in accordance with the resolution of the Board of Directors dated 9 June 2017.

The Company operates a chain of pizza restaurants (21 restaurants as at 31 December 2016) as well as pizza delivery points (11 locations as at 31 December 2016, including 1 sub-franchised location) under the Pizza Hut ("PH") and Pizza Hut Delivery ("PHD") brands, spread across Romania. The Company's number of employees at 31 December 2016 was 1,007 (31 December 2015: 869, 31 December 2014: 705, 1 January 2014: 745). The Company was incorporated in 1994 as a joint stock company and is registered at No. 5-7 Calea Dorobantilor Street, Bucharest, Romania.

2. Significant accounting policies

2.1 Basis of preparation

Statement of Compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) (IFRS).

For all periods up to and including the year ended 31 December 2016, the Company prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP) of Romania. These financial statements for the year ended 31 December 2016 are the first the Company has prepared in accordance with IFRS. Refer to Note 2.3 for information on how the Company adopted IFRS.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Romanian New Lei (''RON'') and all values are rounded to the nearest thousand RON, except when otherwise indicated.

2.2 Summary of significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its financial statements.

2.2.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

2. Significant accounting policies (continued)

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.2.2 Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the relevant notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair \value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

All amounts in RON thousand, unless specified otherwise

2. Significant accounting policies (continued)

2.2.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Restaurant revenue

Restaurant revenues are recognised when food and beverages are served. Revenues are recognised at fair value of meals and services delivered, net of value added tax charged to customers.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms.

Interest income

Interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in “Finance income” in profit or loss.

2.2.4 Foreign currencies

The Company’s financial statements are presented in RON, which is also its functional currency.

Transactions in foreign currencies are translated into RON by applying the exchange rates prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at year-end are translated to RON at the exchange rates prevailing on that date. Realized and unrealized exchange gains and losses are recognized in profit or loss.

The exchange rate RON – EUR and RON – USD as at 31 December 2016, 2015, 2014 and 1 January 2014 was:

	31 December 2016	31 December 2015	31 December 2014	1 January 2014
RON - EUR	4.5411	4.5245	4.4821	4.4847
RON - USD	4.3033	4.1477	3.6868	3.2551

2.2.5 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in Romania, the country where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

2. Significant accounting policies (continued)

Deferred tax

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.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for: all deductible temporary differences: the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and any unused tax losses that can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, no deferred tax is recognized, and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is 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 reassessed 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.

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 other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax (VAT and similar taxes)

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. Significant accounting policies (continued)

2.2.6 Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Where appropriate, the cost of property, plant and equipment includes site preparation costs, installation costs and the cost of obtaining permits required to bring the asset ready for use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The cost of property, plant and equipment also includes the cost of replacing parts of the property, plant and equipment. All repair and maintenance costs are recognised in the profit or loss as incurred.

The Company leases most of its restaurant locations by way of operating leases which are not recognised in the Company's statement of financial position. The cost of improvements to leasehold assets is capitalised as buildings or recognised as leasehold improvements and then depreciated as outlined below.

Costs directly related to purchasing of assets connected with opening restaurants in leased locations, including the costs of architecture design, legal assistance, wages and salaries, and benefits of employees directly involved in launching a given location are included in "property, plant and equipment". These assets are depreciated over the expected useful life of the restaurant.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold buildings	40 years
Leasehold improvements	over the lease contract duration (usually 10 years, including first renewal period)
Computers and IT equipment	3 to 5 years
Vehicles	5 years
Other property, plant and equipment	2 to 10 years

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is de-recognised.

The useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Start-up expenses for new restaurants

Start-up expenses for new restaurants represent costs related to the opening of new restaurant premises. Such expenses include rent and payroll expenses, new personnel training and other overhead expenses that arise before the opening of new restaurants. Start-up expenses for new restaurants are recognised as operating expense in the accounting period in which the related work was performed.

2.2.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is, or contains a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2014, the date of inception is deemed to be 1 January 2014 in accordance with IFRS 1 *First-time Adoption of International Reporting Standards*.

2. Significant accounting policies (continued)

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in 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 profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term. Depending on contractual terms, the operating lease payment amounts are calculated for each restaurant as either a percentage of revenue (i.e. sales levels) with a minimum fixed monthly payment or as a fixed monthly payment. Some lease agreements contain escalation clauses.

For leases with fixed escalating payments and/or fit-out works incentives received, the Company records rent expense on a straight-line basis over the lease term, including any option periods considered in the determination of that lease term. Contingent rentals are generally based on sales levels in excess of stipulated amounts, and thus are not considered minimum lease payments and are included in rent expense when attainment of the contingency is considered probable (i.e. when Company sales occur).

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and depreciated over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

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

Intangible assets with finite useful lives are amortised on a straight-line basis over the useful economic lives from 3 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisations periods are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

2. Significant accounting policies (continued)

Franchise rights

Franchise costs are incurred in obtaining franchise rights or licences to operate the pizza restaurants and pizza delivery points. They include the initial fee paid to the system franchisor when a new restaurant is opened or when the rights and licences are renewed. These are measured at cost less accumulated amortisation and accumulated impairment. Amortisation is on a straight line basis over the life of the applicable franchise or licence agreement of 10 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.2.9 Impairment of non-financial assets

At each reporting date, management assesses whether there is any indication of impairment for property, plant and equipment or intangible assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as an expense (impairment loss) in the statement of comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

For the purpose of impairment testing each restaurant is a cash generating unit.

2.2.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

The Company's financial assets are represented solely by loans and receivables and cash and cash equivalents.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date on which the Company commits to purchase or sell the asset.

2. Significant accounting policies (continued)

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in ''Finance income'' in profit or loss.

For more information on receivables, refer to Note 15. Receivables due in less than 12 months are not discounted.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Company has transferred substantially all the risks and rewards of the asset, or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of its continuing involvement in it. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ii) Impairment of financial assets

Disclosures relating to impairment of financial assets are summarised in the following notes:

- Financial instruments risk management Note 13
- Trade receivables Note 15

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. Significant accounting policies (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the losses arising from impairment are recognised in profit or loss in "Finance costs" for loans and in "Other operating expenses, net" for receivables. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss in "Finance costs" for loans and in "Other operating expenses, net" for trade receivables.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities measured at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities measured at amortised cost, net of directly attributable transaction costs.

The Company's financial liabilities include only financial liabilities measured at amortised cost (trade and other payables and loans and borrowings).

Subsequent measurement

After initial recognition, interest bearing loans and borrowings and any other long-term payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in ''Finance costs'' in profit or loss.

Trade and other payables with a maturity of 12 months or less are not discounted.

2. Significant accounting policies (continued)

De-recognition

A financial liability is de-recognised 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 a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.2.11 Inventories

Inventories, which include food, beverages and other supplies, are stated at the lower of cost or net realisable value. Cost of inventory is determined on the weighted-average basis and includes expenditures incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense and reported as a component of cost of sales in the statement of comprehensive income in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the same component of the statement of comprehensive income as the consumption of the respective inventory, in the period the write-down or loss occurs.

2.2.12 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits.

For the purpose of the statement cash flows, cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value

2.2.13 Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year. Prepayments to acquire current assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Prepayments to acquire property, plant and equipment are classified as construction in progress. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss.

2. Significant accounting policies (continued)

2.2.14 Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

The Company recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Romania, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.2.15 Royalties

Royalties in connection to franchise rights are recognised as an expense as restaurants revenue is earned.

2.2.16 Provisions

General

Provisions are recognised when the Company 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. Where the Company 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 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.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

2.2.17 Employee benefits

The Company, in the normal course of business, makes payments on behalf of its employees for pensions (defined contribution plans), health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances, travel expenses and holiday allowances are also calculated according to the local legislation.

The cost of these payments is charged to the statement of comprehensive income in the same period as the related salary cost. Accruals are created for holiday allowances if there are non-used holidays according the local legislation.

2. Significant accounting policies (continued)

The Company does not operate any other pension scheme or post-retirement benefits plan and consequently, has no obligation in respect of pensions.

2.2.18 Discontinued operations

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 comprehensive income, for the period in which the operations are discontinued as well as in the comparative periods presented. No changes are made to the statement of financial position or statement of cash flows. Additional disclosures are provided in Note 23.

2.3 First-time adoption of IFRS

These financial statements, for the year ended 31 December 2016, are the first the Company has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2016, the Company prepared its financial statements in accordance with Romanian Accounting Regulations (“RAR” or “Local GAAP”).

The Company has prepared financial statements that comply with IFRS applicable for the year ended 31 December 2016, together with the comparative periods for the years ended at 31 December 2015 and 31 December 2014, as described in the summary of significant accounting policies. In preparing these financial statements, the Company’s opening statement of financial position was prepared as at 1 January 2014, being the Company’s date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Local GAAP financial statements, including the statement of financial position as at 1 January 2014, the statement of financial position as at 31 December 2016 and the statement of comprehensive income for the year ended 31 December 2016.

As of 1 January 2014 and 31 December 2016, the reconciliation of equity was performed between the Company’s RAR and IFRS accounts.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

The Company has applied the following exemptions:

Deemed cost

The Company decided to use the exemption provided by IFRS 1.D6, whereby freehold buildings were carried in the statement of financial position prepared in accordance with Local GAAP on the basis of valuations performed on 31 December 2014, with previous valuations performed as at 31 December 2011. The Company has elected to regard the valuation performed as of 31 December 2011 as deemed cost under IFRS at that respective date, since the valuation was broadly comparable to fair value.

Estimates

The estimates at 1 January 2014 and at 31 December, 2014, 2015 and 2016 are consistent with those made for the same dates in accordance with Local GAAP (after adjustments to reflect any differences in accounting policies).

The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at 1 January 2014, the date of transition to IFRS and as at 31 December 2014, 2015 and 2016.

All amounts in RON thousand, unless specified otherwise

2. Significant accounting policies (continued)

Company reconciliation of equity as at 1 January 2014 (date of transition to IFRS)
(only the elements affected by re-measurements are presented)

	Note	Local GAAP	Re-measurement	IFRS as at 1 January 2014
Non-current assets		**9,579**	**2,921**	**12,500**
Property, plant and equipment	12	8,458	2,750	11,208
Intangible assets	10	994	171	1,165
Total assets		**21,539**	**2,921**	**24,460**
Equity and liabilities				
Issued capital	2	95	1,549	1,644
Retained earnings	1, 2, 7,10,12	2,506	714	3,220
Equity		**2,624**	**2,263**	**4,887**
Total equity		**2,624**	**2,263**	**4,887**
Non-current liabilities		**1,927**	**680**	**2,607**
Trade and other payables	1	-	151	151
Deferred tax liabilities	7,10,12	-	529	529
Current liabilities		**16,988**	**(22)**	**16,966**
Trade and other payables	1	14,601	(22)	14,579
Total liabilities		**18,915**	**658**	**19,573**
Total equity and liabilities		**21,539**	**2,921**	**24,460**

All amounts in RON thousand, unless specified otherwise

2. Significant accounting policies (continued)

Company reconciliation of equity as at 31 December 2016:
(only the elements affected by re-measurements are presented)

	Note	Local GAAP	Re-measurement	IFRS as at 31 December 2016
Assets				
Non-current assets		**20,422**	**952**	**21,374**
Property, plant and equipment	3, 11, 12	17,305	896	18,201
Intangible assets	10	2,861	56	2,917
Assets held for sale	9	-	195	195
Total assets		**32,034**	**1,147**	**33,181**
Equity and liabilities				
Equity				
Issued capital	2	95	1,549	1,644
Retained earnings	1, 2, 3, 6, 7, 10, 12	5,025	(710)	4,315
Total equity		**5,141**	**839**	**5,980**
Non-current liabilities		**7,536**	**329**	**7,865**
Trade and other payables	1	-	329	329
Deferred tax liabilities	7	-	-	-
Current liabilities		**19,357**	**(21)**	**19,337**
Trade and other payables	1, 5	14,512	889	15,401
Provisions	5	862	(862)	-
Interest-bearing loans and borrowings	6	3,983	(48)	3,935
Total liabilities		**26,893**	**308**	**27,201**
Total equity and liabilities		**32,034**	**1,147**	**33,181**

All amounts in RON thousand, unless specified otherwise

2. Significant accounting policies (continued)

Reconciliation of total comprehensive income for the year ended 31 December 2016:
(only the elements affected by re-measurements are presented)

	Note	Local GAAP	Re-measurement	IFRS for the year 2016
Restaurant sales	**9**	**181,643**	**(84,703)**	**96,940**
Food and material	8, 9	101,116	(75,009)	26,107
Payroll and employee benefits	5, 9	24,274	(1,891)	22,383
Rent	1, 4	8,018	9	8,027
Depreciation and amortization expenses	2, 3, 9, 10, 12	3,444	(778)	2,666
Other operating expenses, net	4, 5, 8, 9	19,046	(7,387)	11,659
Restaurants operating profit		**14,258**	**353**	**14,611**
General and administration expenses, net	5, 9, 12	10,329	(1,346)	8,982
Operating profit		**3,929**	**1,699**	**5,629**
Finance costs	6	239	(26)	213
Profit before tax from continuing operations		**3,817**	**1,725**	**5,543**
Income tax expense	7	627	(266)	361
Profit for the year from continuing operations		**3,190**	**1,991**	**5,182**
Loss from the year from discontinued operations	9, 11	-	(2,141)	(1,953)
Profit for the year		**3,190**	**(150)**	**3,229**

Notes to the reconciliation of equity as at 1 January 2014 and 31 December 2016 and total comprehensive income for the year ended 31 December 2016

The IFRS re-measurements comprise the following:

Note 1. The Company has concluded operating lease agreements containing fixed escalating payments. IAS 17 requires a straight-line recognition of the lease expenses over the lease agreement term. As a result, the Company has recorded an operating lease accrual in order reflect the requirements of IAS 17 and the increase in the overall rent expense in the first years of the contracts. The accrual balance as at 31 December 2016 is of 358, out of which 29 is included in the current portion of trade and other payables and 329 within the non-current portion of trade and other payables. The accrual balance as at 1 January 2014 is of 127, out of which (22) is included in the current portion of trade and other payables and 151 within the non-current portion of trade and other payables. In 2016 the Company has set-up through profit or loss, within ''Rent'' expenses, a net accrual amounting to 9.

Note 2. The Company was set up in 1994 and operated during the period 1994-2003, when the Romania was classified as a hyperinflationary economy. As a result, the Company has restated the share capital contributions made until 31 December 2013. The impact on the net book value of property, plant and equipment acquired up 31 December 2003 which was still in operation as of the date of transition to IFRS was immaterial thus no related IAS 29 re-measurement of property, plant and equipment was recorded.

2. Significant accounting policies (continued)

Note 3. The Company has elected to measure the freehold buildings classified as property, plant and equipment at fair value determined at 31 December 2011 being the deemed cost for the transition to IFRS. Under RAR, these are measured at fair value. Consequently, the Company has reversed the impact of the revaluation recorded under RAR after the transition to IFRS, as well as the related depreciation.

The impact of re-measurement as at 31 December 2016 was the following:

- Statement of financial position: decrease carrying amount of 893 relating to the 2014 revaluation and the related accumulated depreciation impact
- Statement of comprehensive income for the year 2016: depreciation charge decrease of 29

Note 4. Under the operating lease agreements concluded, the Company has received incentives for fit-out works provided free of charge by the landlords. Under RAR, the Company has deferred the amounts received for fit-out works over the contract term and recognised them in profit or loss in other operating income.

IFRS requires the recognition of the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis. Consequently, the Company reclassified an amount of 18 from other operating income as a reduction in rent expenses.

Note 5. The Company has reclassified the untaken vacation accrual from short term provisions (recorded per local GAAP requirements) to trade and other payables in the statement of financial position. In the statement of comprehensive income for the year ended 31 December 2016, the reclassification was the following:

- Increase in payroll and employee benefits from restaurant expenses of 430
- Increase in payroll and employee benefits from general and administration expenses of 76
- Decrease in other operating expenses of 506

The impact in the 2016 financial position of the reclassification was the following:

- Decrease in current provisions of 862
- Increase in current trade and other payables of 862

Note 6. RAR does not provide for the initial recognition of financial liabilities at fair value net of transaction costs, nor for their subsequent measurement at amortised cost. As a result, the Company has re-measured the loans received at fair value, net of any origination fees and recognized the amortisation of these fees as a finance cost.

Note 7. RAR does not provide for the recognition of deferred tax. For IFRS purposes, the Company recognised deferred tax, in line with the accounting policy presented in Note 2.2.5. For a comprehensive description of the main temporary differences giving rise to deferred tax and subsequent changes in tax legislation, refer to Note 9.

Note 8. Under RAR, the Company has recognised amounts invoiced to its suppliers for marketing and promotion activities as other operating income. The substance of such arrangements has been deemed to be that of a sale incentive (i.e. rebates) given to the Company by the suppliers. Under IFRS, consideration characterized as a sales incentive given by a vendor to a customer is presumed to be a reduction of the selling prices of the supplier's goods or services.

2. Significant accounting policies (continued)

Accordingly, an amount of 658 was reclassified from other operating income as a reduction to the cost of goods purchased from the suppliers in ''Food and material'' expenses.

Note 9. No concepts of ''discontinued operations'' or ''assets held for sale'' exist under RAR, while for IFRS reporting purposes the Company has presented separately those assets held for sale and the results associated with discontinued lines of business. For more details, in particular the impact on each caption of the statement of comprehensive income, refer to Note 23.

Note 10 – Up to 2011, the Company has expensed under RAR the costs of the franchise rights acquired. Under the requirements of IAS 38, the Company has recognised these costs as an intangible asset, as follows:

- An increase in the net carrying amount of intangible assets (franchise rights) of 171 as at 1 January 2014
- An increase in the net carrying amount of intangible assets (franchise rights) of 56 as at 31 December 2016
- Recognition of an additional amortisation charge for franchise rights in 2016 of 38, presented under ''Depreciation and amortisation'' in ''Restaurant expenses''.

Note 11 – Following the transfer of the supply activity to Havi Logistics (see Note 23 for more details), the Company has identified equipment relating to that activity with a net carrying amount of 1,161 which would no longer be used for other purposes. As a result, the Company has recorded an impairment allowance for this equipment of 966, in order to reduce it to its recoverable amount, taking into account subsequent events up to the date of approval of these financial statements.

Note 12 – Upon the date of transition to IFRS, the Company has applied the principles of IAS 16 and has reviewed the useful lives of its property, plant and equipment. The net carrying amount of property, plant and equipment has increased by 2,750 as at 1 January 2014 and by 2,951 respectively as at 31 December 2016. As a result of this change, the depreciation charge for the year 2016 decreased by 448 and the expense with the net book value of disposed assets increased by 65.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Judgements

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

Classification of lease agreements

A lease is classified as a finance lease if it transfers to the Company substantially all the risks and rewards incidental to ownership, otherwise it is classified as an operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. If the lease term is longer than 75 percent of the economic life of the asset, or if at the inception of the lease the present value of the minimum lease payments amounts to at least 90 percent of the fair value of the leased asset, the lease is classified by the Company as finance lease, unless it is clearly demonstrated otherwise.

3. Significant accounting judgements, estimates and assumptions (continued)

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 Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful lives of property and equipment

The Company assesses the remaining useful lives of items of property and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These estimates may have a material impact on the amount of the carrying values of property and equipment and on depreciation recognised in profit or loss.

In particular, the Company assesses for its operating leases, that generally have an initial term of 5 years with renewal option for another 5 years, that the leasehold improvements' useful life is of 10 years due to the fact that historically most of such leases have been renewed after the initial term of 5 years, that the refurbishment needed after the first 5 years is of significantly less value compared to the initial set-up, and that 10 years is also the duration of the related franchise.

4. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement
The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has assessed that the application of this standard will not have any significant impact on the presentation and financial position or performance of the Company.

IFRS 15 Revenue from Contracts with Customers
The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the Company's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management has assessed that the application of this standard will not have any significant impact on the financial position or performance of the Company.

4. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted (continued)

IFRS 15: Revenue from Contracts with Customers (Clarifications)
The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management has assessed that the application of this standard (including the clarifications) will not have any impact on the financial position or performance of the Company

IFRS 16: Leases
The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

The Company is currently assessing the impact of the standard on its financial statements. Taking into consideration the significant number and value of signed lease agreements, the Company expects a significant impact following the adoption of the standard on its statement of financial position, and a less significant impact on its statement of comprehensive income.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendment is not applicable to the Company as it does not have subsidiaries, associates or joint ventures.

IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)
The Amendments become effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. Management has assessed that the application of the amendments will not have any impact on the financial position or performance of the Company.

4. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted (continued)

IAS 7: Disclosure Initiative (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2017 with earlier application permitted. The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. Management has assessed that the application of these amendments will not have a significant impact on the disclosures from the financial statements of the Company.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Company.

IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Company.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration
The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the Company recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the Company must determine a date of the transactions for each payment or receipt of advance consideration. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Company, as it already followed an approach aligned with these requirements.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. Management has assessed that the application of these improvements will not have any impact on the financial position or performance of the Company.

All amounts in RON thousand, unless specified otherwise

4. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted (continued)

- ***IFRS 1 First-time Adoption of International Financial Reporting Standards*: This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- ***IFRS 12 Disclosure of Interests in Other Entities:*** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

5. Other operating expenses, net

	2016	2015	2014
Third-party services	2,734	1,775	1,579
Utilities	4,192	3,896	3,627
Maintenance and repairs	1,266	790	990
Transport	563	417	250
Small-wares	1,829	1,217	262
Cleaning supplies	523	361	277
Insurance	158	121	104
Telephone and postage	74	75	67
Net (gain)/ loss on disposal of property, plant and equipment	115	(56)	391
Change in allowance for receivables, net	-	19	2
Miscellaneous expenses/(income), net	205	(276)	(35)
Total	**11,659**	**8,339**	**7,514**

6. General and administrative expenses, net

	2016	2015	2014
Payroll and employee benefits	4,247	3,438	2,669
Third-party services	2,838	2,334	1,869
Transport	503	464	415
Rent	344	339	333
Banking charges	479	430	292
Small-wares	442	428	237
Maintenance and repairs	101	43	29
Depreciation, and amortization	137	133	151
Telephone and postage	116	133	111
Insurance	34	27	26
Miscellaneous income, net	(259)	(18)	(38)
Total	**8,982**	**7,751**	**6,094**

All amounts in RON thousand, unless specified otherwise

7. Disclosure of total payroll and employee benefits expense and total depreciation and amortization expense

7.1 Payroll and employee benefits

	2016	2015	2014
Payroll and employee benefits recognized in "Restaurant expenses"	22,383	14,622	12,001
Payroll and employee benefits recognized in "General and administration expenses, net''	4,247	3,438	2,669
Total payroll and employee benefits for continued operations	**26,630**	**18,060**	**14,670**
Of which, defined contribution to State pension plan:	3,429	2,446	2,528

Additionally, an amount of 2,321 refers to payroll and employee benefits relating to discontinued operations for the year 2016 (2015: 2,720, 2014: 2,853). For more details, please refer to Note 23.

7.2 Depreciation and amortization

	2016	2015	2014
Depreciation and amortization recognized in "Restaurant expenses"	2,666	2,114	2,188
Depreciation, and amortization recognized in "General and administration expenses, net"	137	133	151
Total depreciation and amortization for continued operations	**2,803**	**2,247**	**2,339**

Additionally, an amount of 382 refers to depreciation and amortisation relating to discontinued operations for the year 2016 (2015: 171, 2014: 131). For more details, please refer to Note 23.

8. Finance costs and income

8.1 Finance costs

	2016	2015	2014
Interest on loans and borrowings	202	87	90
Finance charges payable under finance leases	11	10	10
Foreign exchange loss, net	-	385	209
Total finance costs	**213**	**482**	**309**

8.2 Finance income

	2016	2015	2014
Interest income	18	19	7
Foreign exchange gain, net	109	-	-
Total finance income	**127**	**19**	**7**

All amounts in RON thousand, unless specified otherwise

9. Income tax

The major components of income tax expense for the years ended 31 December 2016, 2015 and 2014 are:

	2016	2015	2014
Current income tax:			
Current income tax charge	816	1,160	752
Deferred tax:			
Relating to origination and reversal of temporary differences	(455)	10	(85)
Income tax expense reported in the statement of comprehensive income	**361**	**1,170**	**667**

A reconciliation between tax expense and the product of accounting profit multiplied by Romania's domestic tax rate for the years ended 31 December 2016, 2015 and 2014 is as follows:

	2016	2015	2014
Accounting profit before tax from continuing operations	5,543	7,691	4,782
Loss before tax from discontinued operations	(1,953)	(477)	(708)
Accounting profit before income tax	**3,590**	**7,214**	**4,074**
At statutory income tax rate of 16%	574	1,154	652
Other income exempted from tax	(5)	-	(1)
Non-deductible expenses for tax purposes	215	133	63
Effect of changes in the tax legislation and tax rates	(454)	-	-
Fiscal credit from sponsorship	(157)	(197)	(160)
At the effective income tax rate	**173**	**1,090**	**554**
Income tax attributable to a discontinued operation	188	80	113
Income tax reported in statement of comprehensive income	**361**	**1,170**	**667**

Deferred tax

Deferred tax reconciliation with corresponding items in the statement of financial position and consolidated statement of comprehensive income is as follows:

	Statement of financial position				Statement of comprehensive income		
	2016	2015	2014	1 Jan 2014	2016	2015	2014
Property, plant and equipment	-	(490)	(455)	(522)	(490)	35	(67)
Franchise rights	-	(15)	(21)	(27)	(15)	(6)	(6)
Operating lease incentives	-	54	32	20	53	(22)	(12)
Loans and borrowings	-	(3)	-	-	(3)	3	-
Deferred tax benefit					**(455)**	**10**	**(85)**
Net deferred tax liabilities	**-**	**(454)**	**(444)**	**(529)**			

The Company offsets tax assets and 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 tax authority.

All amounts in RON thousand, unless specified otherwise

9. Income tax (continued)

In January 2017, the local taxation regulations have changed for the companies active in the restaurant industry. Specifically, per the updated regulations, the income tax for the restaurant activity has been replaced by a specific tax, computed based on a minimum fixed amount multiplied by the impact of three criteria: restaurant area, restaurant location and seasonality. The taxation of the non-restaurant activities has not suffered changes.

Given that as at 31 December 2016 the new taxation system applicable to the entity was substantively enacted (becoming effective from January 2017), the Company has reversed previously recognised deferred tax balances, as this constitutes in substance a change to a zero tax rate (the reversal of temporary differences in the future will not create any taxable or deductible amounts).

10. Property, plant and equipment

	Freehold buildings and leasehold improvements	Plant and machinery	Other equipment	Construction in progress	Total
Cost					
At 1 January 2014	**10,522**	**12,971**	**1,391**	**11**	**24,895**
Additions	-	90	50	1,139	1,279
Disposals	1,348	87	40	160	1,635
At 31 December 2014	**9,174**	**12,974**	**1,401**	**990**	**24,539**
Additions	3,397	2,602	737	3,627	10,363
Disposals	-	725	23	4,543	5,291
At 31 December 2015	**12,571**	**14,851**	**2,115**	**74**	**29,611**
Additions	3,929	3,667	838	4,619	13,053
Transfers to assets held for sale	885	3,135	275	-	4,295
Disposals	525	373	14	3,946	4,858
At 31 December 2016	**15,090**	**15,010**	**2,664**	**747**	**33,511**
Depreciation					
At 1 January 2014	**5,097**	**7,900**	**690**	**-**	**13,687**
Depreciation charge for the year	922	1,181	165	-	2,268
Disposals	948	83	38	-	1,069
At 31 December 2014	**5,071**	**8,998**	**817**	**-**	**14,886**
Depreciation charge for the year	894	1,126	188	-	2,208
Disposals	-	725	23	-	748
At 31 December 2015	**5,965**	**9,399**	**982**	**-**	**16,346**
Depreciation charge for the year	1,166	1,359	337	-	2,862
Transfers to assets held for sale	617	2,343	174	-	3,134
Disposals	460	291	13	-	764
At 31 December 2016	**6,054**	**8,124**	**1,132**	**-**	**15,310**
Net book value					
At 1 January 2014	**5,425**	**5,071**	**701**	**11**	**11,208**
At 31 December 2014	**4,103**	**3,976**	**584**	**990**	**9,653**
At 31 December 2015	**6,606**	**5,452**	**1,133**	**74**	**13,265**
At 31 December 2016	**9,036**	**6,886**	**1,532**	**747**	**18,201**

All amounts in RON thousand, unless specified otherwise

10. Property, plant and equipment (continued)

The Company has several finance lease contracts for motor vehicles. The carrying value of the leased assets as of 31 December, 2016 is of 329 (31 December 2015: 432 31 December 2014: 223 and 1 January 2014: 333 respectively). The assets acquired under finance lease are pledged in favour of the leasing company.

As of 31 December 2016 the gross book value of fully depreciated property, plant and equipment that were still in use is of 8,069 (31 December 2015: 5,493, 31 December 2014: 6,093 and 1 January 2014: 4,234 respectively).

The Company has pledged non-current assets (mostly equipment) in favour of Alpha Bank for the financing received. The net carrying amount of pledged assets as at 31 December 2016 is of 3,328 (31 December 2015: 7,229, 31 December 2014: 5,532 and 1 January 2014: 2,592 respectively).

The additions in 2016, 2015 and 2014 consist mainly in new restaurants' leasehold improvements, as well as restaurants' kitchen equipment.

11. Intangible assets

	Franchise rights	Other intangible assets	Intangibles in progress	Total
Cost				
At 1 January 2014	**1,712**	**71**	**41**	**1,824**
Additions	85	-	-	85
Disposals	-	-	41	41
At 31 December 2014	**1,797**	**71**	**-**	**1,868**
Additions	786	121	45	952
At 31 December 2015	**2,583**	**192**	**45**	**2,820**
Additions	1,009	166	406	1,581
Disposals	-	-	90	90
At 31 December 2016	**3,592**	**358**	**361**	**4,311**
Amortisation				
At 1 January 2014	**610**	**49**	**-**	**659**
Amortisation	189	13	-	202
At 31 December 2014	**799**	**62**	**-**	**861**
Amortisation	210	-	-	210
At 31 December 2015	**1,009**	**62**	**-**	**1,071**
Amortisation	291	32	-	323
At 31 December 2016	**1,300**	**94**	**-**	**1,394**
Net book value				
At 1 January 2014	**1,102**	**22**	**41**	**1,165**
At 31 December 2014	**998**	**9**	**-**	**1,007**
At 31 December 2015	**1,574**	**130**	**45**	**1,749**
At 31 December 2016	**2,292**	**264**	**361**	**2,917**

Additions during 2016, 2015 and 2014 consisted mainly in franchise operating licenses acquired for newly opened restaurants each year.

All amounts in RON thousand, unless specified otherwise

12. Interest-bearing loans and borrowings

	Interest rate %	Maturity	2016	2015	2014	1 Jan 2014
Current interest-bearing loans and borrowings						
Obligations under finance leases	EURIBOR 3M +4.5%	11.03.2017	-	-	78	103
	EURIBOR 3M +4.5%	11.03.2019	145	174	-	-
Bank loan	EURIBOR 3M + 2.85-4%	5 years from each withdrawal	3,790	1,944	1,357	2,284
Total current interest-bearing loans and borrowings			**3,935**	**2,118**	**1,435**	**2,387**
Non-current interest-bearing loans and borrowings						
Obligations under finance leases	EURIBOR 3M +4.5%	11.03.2017	-	-	72	151
	EURIBOR 3M +4.5%	11.03.2019	91	147	-	-
Bank loan	EURIBOR 3M + 2.85-4%	5 years from each withdrawal	7,445	3,545	420	1,776
Total non-current interest-bearing loans and borrowings			**7,536**	**3,692**	**492**	**1,927**
Total interest-bearing loans and borrowings			**11,471**	**5,810**	**1,927**	**4,314**

The Company has a credit facility from Alpha Bank Romania made up of 3 sub-limits, as follows: credit facility for the development of new locations, issuance of bank guarantee letters and credit card. The loan is secured with property, plant and equipment of each restaurant location for which the credit limited has been utilised. The carrying amount of pledged property, plant and equipment and cash and cash equivalents is disclosed in Notes 10 and 16.

Covenants:

The Company’s borrowing arrangement with the Bank contains several covenants, mainly of quantitative nature, out of which the most important relates to the level of the service debt (whereby service debt is equal to EBITDA/ [principal plus interest payable]), which should exceed for any month 2.5.

Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of for the years ended 31 December 2016, 2015 and 2014.

All amounts in RON thousand, unless specified otherwise

13. Financial instruments risk management

The Company's principal financial liabilities comprise loans and borrowings, including finance leases and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets are represented by trade and other receivables and cash and short-term deposits that derive directly from its operations, as well as long-term deposits to guarantee rent payables.

The Company is exposed to interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management ensures that the Company's financial risk activities are performed under appropriate procedures and that financial risks are identified, measured and managed in accordance with Company's risk appetite.

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Trade and other receivables and payables are non-interest bearing financial assets and liabilities. The borrowings are usually exposed to interest rate risk through market value fluctuations of interest-bearing long-term and short-term credit facilities. Interest rates on the Company's debt finance are variable. The interest rates on credit facilities of the Company are disclosed in Note 12. Changes in interest rates impact primarily loans and borrowings by changing either their future cash flows (variable rate debt). Management policy is to resort mainly to variable rate financing. However, at the time of rising new loans or borrowings management uses its judgment to decide whether it believes that fixed or variable rate would be more favourable to the Company over the expected period until maturity.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Company's profit before tax and equity are affected through the impact on floating rate borrowings, as follows:

	Increase in basis points	Effect on profit before tax
31 December 2016		
EUR	1%	(115)
31 December 2015		
EUR	1%	(58)
31 December 2014		
EUR	1%	(19)
1 January 2014	1%	
EUR		(43)

The Company does not hedge its interest rate risk.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. An equal decrease of the interest rate would have the same effect but of opposite impact.

All amounts in RON thousand, unless specified otherwise

13. Financial instruments risk management (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's financing activities, as the financing contracted by the Company is Euro based. The vast majority of revenues, expenses, trade and other receivables and payables is in RON.

The Company monitors the currency risk by following changes in exchange rates in currencies in which its intercompany balances and external debts are denominated. The Company does not have formal arrangements to mitigate its currency risk.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the EUR exchange rate. The Company's exposure to foreign currency changes for all other currencies is not material. With all other variables held constant the Company's profit before tax and equity are affected as follows:

	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
31 December 2016	1%	(116)	(116)
31 December 2015	1%	(112)	(112)
31 December 2014	1%	(45)	(45)
1 January 2014	1%	(62)	(62)

Credit risk

The Company is not significantly exposed to credit risk as the majority of its sales are on a cash basis. The Company's credit risk is primarily attributed to trade and other receivables and balances with banks. The carrying amount of trade and other receivables, net of allowance for impairment (Note 15) and deposits for rent guarantee as per statement of financial position plus balances with banks (Note 16) represent the maximum amount exposed to credit risk. Management believes that there is no significant risk of loss to the Company beyond the allowance already recorded.

The Company invests cash and cash equivalents with highly reliable financial institutions. The Company has only plain vanilla deposits with reputable banks, none of which has experienced any difficulties in 2016 or up to the date of these financial statements. The majority of cash is transacted through and placed with Alpha Bank Romania, member of Alpha Bank Group from Greece and Banca Romana de Dezvoltare (BRD), a member of Societe Generale Group from France. The long-term credit rating of Alpha Bank Greece is Caa3 as provided by Moody's rating agency, no credit rating being available for its Romanian subsidiary. The long-term credit rating of BRD provided by Moody's is Baa3.

There is no significant concentration of credit risk in respect of trade and other receivables due to the fact that sales are based mainly on cash and credit card payments. Therefore there are no formal policies in the Group to manage credit risk for trade receivables. The Company's credit risk is primarily attributed to loans and receivables from related parties, for which the probability of losses is considered remote.

All amounts in RON thousand, unless specified otherwise

13. Financial instruments risk management (continued)

Liquidity risk

The Company has adopted a prudent financial liquidity management approach, assuming that sufficient cash and cash equivalents are maintained and that further financing is available from guaranteed funds from credit lines. The tables below summarizes the maturity profile of the Company’s financial liabilities, including principal amounts and interests according to contractual terms, at 31 December 2016, 31 December 2015, 31 December 2014 and 1 January 2014 based on contractual undiscounted payments.

31 December 2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	10	1,064	3,136	7,793	12,003
Trade and other payables	1,133	10,544	21	329	12,027
Total:	**1,143**	**11,608**	**3,157**	**8,122**	**24,030**

31 December 2015	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	5	708	1,547	3,820	6,080
Trade and other payables	3,774	11,483	22	302	15,581
Total:	**3,779**	**12,191**	**1,569**	**4,122**	**21,661**

31 December 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	1	587	884	499	1,971
Trade and other payables	5,451	7,802	(80)	307	13,480
Total:	**5,452**	**8,389**	**804**	**806**	**15,451**

1 January 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	4	673	1,815	1,971	4,463
Trade and other payables	4,891	6,250	330	151	11,622
Total:	**4,895**	**6,923**	**2,145**	**2,122**	**16,085**

At 31 December 2016, the Company had available undrawn committed borrowing facilities in amount of 49,693 (31 December 2015: 59,719, 31 December 2014: 64,216 and 1 January 2014: 60,002, thus being able to respond to any unforeseen higher cash outflow needs. The credit facilities above are available to both the Company and US Foods Network SA (a related party, see Note 22) for drawing, without a limit between them.

All amounts in RON thousand, unless specified otherwise

13. Financial instruments risk management (continued)

Capital management

Capital includes the equity attributable to the equity holders.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company may monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company does not have a target gearing ratio. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash deposits.

	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Interest-bearing loans and borrowings	11,471	5,810	1,927	4,314
Trade and other payables	12,027	15,581	13,479	11,622
Less: cash and short-term deposits	3,294	5,574	1,306	1,287
Net debt	**20,204**	**15,817**	**14,100**	**14,649**
Equity	5,980	8,781	6,607	4,887
Capital and net debt	**26,184**	**24,598**	**20,707**	**19,536**
Gearing ratio	77%	64%	68%	75%

The Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. For the covenants in force as at 31 December 2016, 2015, 2014 and 1 January 2014, please refer to Note 12.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016, 2015 and 2014.

Fair values

The Company has no financial instruments carried at fair value in the statement of financial position.

The carrying amount of the interest bearing loans and borrowings approximate their fair value. Management estimates that the margin applicable over Euribor at the balance sheet date would be similar to the ones at the dates of each previous withdrawal, due to the fact that the Company maintained over the past years a stable financial condition, and also based on the statistics published by the National Bank of Romania.

Financial instruments which are not carried at fair value on the statement of financial position also include deposits to guarantee rent, trade and other receivables, cash and cash equivalents, and trade and other payables.

The carrying amounts of these financial instruments are considered to approximate their fair values, due to their short term nature (in majority) and low transaction costs of these instruments.

All amounts in RON thousand, unless specified otherwise

14. Inventories

	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Raw materials	522	3,038	2,393	2,337
Consumables	410	1,579	1,421	1,203
Finished goods	179	2,141	3,172	2,767
Total inventories	**1,111**	**6,758**	**6,986**	**6,307**

During 2016, inventories amounting to 28,901 (2015: 21,724, 2014: 17,657) were recognised as an expense in profit or loss, in ''Food and materials'' as well as in ''General and administrative expenses, net'' ("Small-wares" and "Cleaning supplies").

15. Trade and other receivables

	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Trade receivables, net	4,429	430	293	393
Trade receivables from related parties	1,032	4,676	5,364	3,209
Tax receivables	354	-	-	-
Meal tickets	245	228	179	217
Other debtors	29	29	13	30
Total	**6,089**	**5,363**	**5,849**	**3,849**

Terms and conditions relating to related party transactions are described in Note 22.

Trade receivables are non-interest bearing and are generally on terms of 30-90 days.

As at 31 December 2016, 2015 and 2014, trade and other receivables with a value of 8 were impaired and fully provided for.

	Total
At 1 January 2014	**-**
Charge for the year	8
At 31 December 2014	**8**
At 31 December 2015	**8**
At 31 December 2016	**8**

15. Trade and other receivables (continued)

The ageing analysis of trade receivables and trade receivables from related parties, net of allowances is, as follows:

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**< 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**> 120 days**
2016	5,461	174	2,455	1,811	45	21	955
2015	5,106	2,575	1,205	44	26	25	1,231
2014	5,657	2,207	2,111	25	31	23	1,260
1 Jan 2014	3,602	459	1,474	135	36	28	1,470

16. Cash and short-term deposits

	31 December 2016	**31 December 2015**	**31 December 2014**	**1 January 2014**
Cash at banks and on hand	3,149	5,540	1,282	1,270
Cash in transit	145	34	24	17
Total	**3,294**	**5,574**	**1,306**	**1,287**

Deposits at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group.

As part of the financing agreement with Alpha Bank the Company has pledged the cash available in the accounts opened with the bank. The balance of the pledged bank accounts as at 31 December 2016 is of 1,589 (31 December 2015: 3,019, 31 December 2014: 377 and 1 January 2014: 199).

17. Issued capital

	31 December 2016	**31 December 2015**	**31 December 2014**	**1 January 2014**
Authorised shares				
Ordinary shares of 0.25 RON each	380,000	380,000	380,000	380,000
Share capital (RON, thousand)	95	95	95	95
Hyperinflation (RON, thousand)	1,549	1,549	1,549	1,549

The Company’s shareholders at 31 December 2016 are Lunic Franchising and Consulting Ltd. (22.34%), Tatika Investments (27.33%), M.B.L. Computers (23%), Wellkept Group SA (16.34%) and Anasa Properties SRL (10.99%).

The Company’s shareholders at 31 December 2015 and 2014 were: Lunic Franchising and Consulting Ltd. (22.34%), Tatika Investments (27.33%), Blandon Enterprises Ltd. (27.33%) and M.B.L. Computers (23%).

The Company’s shareholders at 1 January 2014 were: Lunic Franchising and Consulting Ltd. (22.22%), Tatika Investments (27.5%), Blandon Enterprises Ltd. (27.5%) and M.B.L. Computers (22.78%).

All amounts in RON thousand, unless specified otherwise

18. Distributions made and proposed

	2016	2015	2014
Declared and paid during the year	6,030	3,950	1,801
Total dividends for the years	**6,030**	**3,950**	**1,801**
Dividends per share (RON/share)	15.87	10.39	4.74

During 2017, the Company distributed dividends in amount of 3,368 (dividends per share of RON 8.86/share).

19. Trade and other payables

	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Trade payables	6,896	14,940	13,037	10,935
Trade payables to related parties	4,695	221	176	496
Salary liability	2,654	1,739	1,073	1,084
Social contribution liability	652	588	403	397
Other employee related liabilities	258	236	150	135
Other taxes	139	95	86	85
Current income tax	-	408	128	82
VAT	-	132	1,286	1,325
Other payables	436	420	266	191
Total	**15,730**	**18,779**	**16,605**	**14,730**
Less: non-current portion of other payables	329	302	307	151
Trade and other payables, current	**15,401**	**18,477**	**16,298**	**14,579**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms
- Terms and conditions relating related party transactions are described in Note 22

The other current and non-current payables are summarized below:

	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Lease incentives (current and non-current)	358	331	200	127
Free of charge fit-outs (current and non-current)	58	74	-	-
Other payables (current)	20	15	66	64
Total	**436**	**420**	**266**	**191**

The lease incentive amounts relate to accruals recorded by the Company in order to allocate the lease incentives provided by landlords over the contractual period on a straight line basis. The free of charge fit-outs are represented by free of charge fit-out works/cash incentives received from landlords. The Company has recognized the amounts received in other payables and releases it to profit and loss over the contractual period. For additional information, please refer to Note 2.3 ‘’First time adoption’’.

All amounts in RON thousand, unless specified otherwise

20. EBITDA

	Note	2016	2015	2014
Operating profit from continuing operations		**5,629**	**8,154**	**5,084**
Adjustments to bridge operating profit to EBITDA:				
Depreciation and amortization included in restaurant expenses	Note 7	2,666	2,114	2,188
Depreciation and amortization included in general and administration expenses	Note 7	137	133	151
EBITDA from continuing operations		**8,432**	**10,401**	**7,423**
Operating loss from discontinued operations		**(2,141)**	**(477)**	**(708)**
Adjustments to bridge operating profit to EBITDA:				
Depreciation and amortization expenses	Note 23	382	171	131
Impairment of assets held for sale	Note 23	966	-	-
EBITDA from discontinued operations		**(793)**	**(306)**	**(577)**
Total operating profit		3,466	7,454	4,782
Total adjustments for depreciation, amortization and impairment		4,237	2,641	2,213
Total EBITDA:		**7,639**	**10,095**	**6,846**

EBITDA is one of the key performance measures monitored by senior management. EBITDA would be normalized to exclude any significant one-off items (either revenues or expenses) but no such exclusions were necessary for the years ended 31 December 2016, 2015 and 2014.

21. Commitments and contingencies

Operating lease commitments — Company as lessee

The Company has entered into operating lease agreements for the premises of most of its restaurants. The lease terms are between five and ten years.

Future minimum rentals payable under non-cancellable operating leases are, as follows:

	31 December 2016	31 December 2015	31 December 2014	1 January 2014
Within one year	8,056	7,627	6,033	5,825
After one year but not more than five years	18,521	15,838	15,619	18,132
More than five years	1,378	126	803	2,799
Total:	**27,955**	**23,591**	**22,455**	**26,756**

All amounts in RON thousand, unless specified otherwise

21. Commitments and contingencies (continued)

Finance lease

The Company has finance leases for vehicles. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

	31 December 2016		31 December 2015		31 December 2014		As at 1 January 2014	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	162	155	188	178	84	79	113	103
After one year but not more than five years	83	81	149	143	74	71	158	151
More than five years	-	-	-	-	-	-	-	-
Total minimum lease payments	**245**	**236**	**337**	**321**	**158**	**150**	**271**	**254**
Less amounts representing finance charges	9	-	16	-	8	-	18	-
Present value of minimum lease payments	**236**	**236**	**321**	**321**	**150**	**150**	**253**	**254**

Bank letter of guarantee

The Company has issued bank letters of guarantee in favour of suppliers as at 31 December 2016 in amount of 2,228 (31 December 2015: 1,791, 31 December 2014: 1,203 and 1 January 2014: 1,450).

All amounts in RON thousand, unless specified otherwise

22. Related party disclosures

During the period from 1 January 2014 to 31 December 2016, the Company has carried out transactions with the following related parties:

Related party	Nature of the relationship	Country of incorporation	Nature of transactions
Cinnamon Bake&Roll SRL	Entity with several common members of key management personnel	Romania	Sale of goods
US Food Network SA	Entity with several common members of key management personnel	Romania	Sale of goods
Moulin D'Or SRL	Entity with several common members of key management personnel	Romania	Sale of goods
ICS US Food Network SRL	Entity with several common members of key management personnel	Moldova	Sale of goods

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

Related party		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Cinnamon Bake&Roll SRL	**2016**	141	822	978	-
US Food Network SA		76,069	721	46	4,694
US Food SRL		1,636	-	4	
Moulin D'Or SRL		105	15	4	1
Total		**77,846**	**1,543**	**1,032**	**4,695**
Cinnamon Bake&Roll SRL	**2015**	168	780	1,307	132
US Food Network SA		79,171	554	3,041	89
US Food SRL		1,531	-	328	
Total		**80,871**	**1,334**	**4,676**	**221**
Cinnamon Bake&Roll SRL	**2014**	203	266	1,352	83
US Food Network SA		61,749	449	3,899	93
US Food SRL		929	-	113	
Total		**62,880**	**715**	**5,364**	**176**
Cinnamon Bake&Roll SRL	**1 January 2014**	-	-	1,544	67
US Food Network SA		-	-	1,515	429
US Food SRL		-	-	150	
Total		**-**	**-**	**3,209**	**496**

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2016, 2015 and 2014, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

All amounts in RON thousand, unless specified otherwise

22. Related party disclosures (continued)

Compensation of key management personnel of the Company:

	2016	2015	2014
Short-term employee benefits	838	814	621
Fees paid to management entities	1,106	800	457
Total compensation paid to key management personnel	**1,944**	**1,614**	**1,078**

The amounts disclosed in the table are the amounts recognised as an expense during each reporting period.

23. Discontinued operations

Up to the second half of 2016, the Company has acted as a purchase hub for some related entities, such as US Food Network SA (both Romanian and Moldavian operations) or Cinnamon Bake & Roll SRL. All food supplies, beverages or other consumables were purchased by the Company and sold at a mark-up designed to broadly cover any other operating costs directly associated with this line of business. In November 2016, the Company together with US Food Network SA and the other related parties have outsourced this activity to Havi Logistics SA, a third party company specialized in integrated logistics services for the food industry. Accordingly, in these financial statements, this line of business has been classified and disclosed as a discontinued operation.

The results of the purchasing hub line of business for the past years are presented below:

	2016	2015	2014
Sales of goods	**84,703**	**81,857**	**63,111**
Direct expenses:			
Food and material	74,351	72,738	56,107
Payroll and employee benefits	2,321	2,720	2,853
Depreciation and amortization	382	171	131
Impairment of assets held for sale	966	-	-
Other operating expenses, net	7,621	5,057	2,860
Operating profit/(loss)	**(938)**	**1,171**	**1,160**
General and administration expenses, net	1,203	1,648	1,868
Profit/(loss) before tax	**(2,141)**	**(477)**	**(708)**
Income tax benefit:	188	80	113
Profit/(loss) for the year	**(1,953)**	**(397)**	**(595)**

The net cash flows incurred by this line of business were as follows:

	2016	2015	2014
Cash flow from operating activities	(6,681)	2,002	(1,758)
Cash flow from investing activities	-	(705)	(20)
Net cash inflow/(outflow)	**(6,681)**	**1,297**	**(1,778)**

Prior to outsourcing, the supply activity involved 43 employees. Following the outsourcing, a number of 14 employees were redeployed within the Company, while the rest left it.

24. Events after the reporting period

On 5 January, 2017 the Company has concluded an agreement with Cinnamon Bake & Roll SRL (a related party) for the rescheduling of its payable towards the Company in amount of 978 over a two year period (up to 31 January 2019).

In 2017, the shareholders of the Company have set-up a new entity called Sphera Franchise Group SA (''Sphera''). As of the date of these financial statements, Sphera has become the parent company of ARS, following the contribution by the existing shareholders of their shares in ARS in exchange for shares in Sphera. The purpose of the reorganization was to ensure a better coordination of activities and enhance value creation, by taking advantage of the synergies at group level and by achieving economies of scale.

In January 2017, the local taxation regulations have changed for the companies active in the restaurant industry, more comprehensive details being provided in Note 9.

During 2017, the Company distributed dividends in amount of 3,368 (dividends per share of RON 8.86/share).

Up to the date of these financial statements, the Company has drawn additional EUR 403 thousand from its borrowing facility concluded with Alpha Bank.

SPHERA FRANCHISE GROUP SA

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Prepared in accordance with International Financial Reporting Standards
as adopted by the European Union

30 June 2017

CONTENTS

Ernst & Young Assurance Services SRL
Cladirea Bucharest Tower Center, et. 21
Bd. Ion Mihalache nr. 15-17, Sector 1
011171 Bucuresti, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

Report on review of interim consolidated financial information

To the Shareholders of Sphera Franchise Group S.A.

Introduction

We have reviewed the accompanying interim consolidated financial statements of Sphera Franchise Group S.A. ("the Company") and its subsidiaries (together the "Group"), which comprise the interim consolidated statement of financial position as at 30 June 2017 and the consolidated interim statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months period ended 30 June 2017 and a summary of accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on the accompanying consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ("IAS 34").

On behalf of

Ernst & Young Assurance Services SRL

Alina Dimitriu
Executive Director

Bucharest, Romania
14 September 2017

All amounts in RON thousand, unless specified otherwise

	Note	30 June 2017	30 June 2016
Restaurant sales		242,204	193,220
Restaurant expenses			
Food and material expenses		87,944	74,225
Payroll and employee benefits	8.1	43,430	30,623
Rent		17,001	12,984
Royalties		14,125	11,380
Advertising		11,724	8,457
Other operating expenses, net	6	18,474	14,330
Depreciation and amortization	8.2	4,952	4,198
Restaurant operating profit		**44,554**	**37,023**
General and administration expenses, net	7	15,832	10,625
Operating profit		**28,722**	**26,398**
Finance costs	9.1	440	978
Finance income	9.2	109	125
Profit before tax		**28,391**	**25,545**
Income tax expense/(credit)	10	1,189	3,315
Profit for the period		**27,202**	**22,230**
Attributable to:			
Equity holders of the parent		27,090	22,216
Non-controlling interests		112	14
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		(30)	(21)
Exchange differences on translation of foreign operations			
Total comprehensive income for the period, net of tax		**27,172**	**22,209**
Attributable to:			
Equity holders of the parent		27,060	22,198
Non-controlling interests		112	11
Earnings per share, basic and diluted (RON/share)	22	0.7667	0.6412

These interim consolidated financial statements from page 3 to page 45 were approved by the Board of Directors and were authorised for issue on 29 August 2017.

Mark Hilton
General Manager Sphera Franchise Group SA

All amounts in RON thousand, unless specified otherwise

	Notes	30 June 2017	31 December 2016
Assets			
Non-current assets		**143,055**	**54,246**
Property, plant and equipment	11	81,159	47,551
Intangible assets	12	60,475	6,365
Trade and other receivables		285	-
Deposits for rent guarantee		668	290
Deferred tax assets	10	468	40
Current assets		**51,769**	**65,399**
Inventories	15	7,458	5,744
Trade and other receivables	16	5,077	8,780
Prepayments		3,418	1,907
Cash and short-term deposits	17	35,816	48,968
Assets held for sale		195	-
Total assets		**195,019**	**119,645**
Equity and liabilities			
Equity			
Issued capital	18	581,990	190
Share premium	18	(520,557)	-
Other capital reserves		-	19
Retained earnings		38,977	58,124
Foreign currency translation reserve		(71)	(41)
Equity attributable to equity holders of the parent		**100,339**	**58,292**
Non-controlling interests		3	(39)
Total equity		**100,342**	**58,253**
Non-current liabilities		**33,223**	**16,304**
Interest-bearing loans and borrowings	13	31,227	14,630
Trade and other payables	20	1,996	1,674
Current liabilities		**61,454**	**45,088**
Trade and other payables	20	45,650	37,292
Interest-bearing loans and borrowings	13	15,804	7,796
Total liabilities		**94,677**	**61,391**
Total equity and liabilities		**195,019**	**119,645**

These interim consolidated financial statements from page 3 to page 45 were approved by the Board of Directors and were authorised for issue on 29 August 2017.

SPHERA FRANCHISE GROUP SA
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017
All amounts in RON thousand, unless specified otherwise

	Issued capital	Share premium	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total equity	Non-controlling interest	Total equity
As at 1 January 2017	**190**	**-**	**19**	**58,124**	**(41)**	**58,292**	**(39)**	**58,253**
Profit for the period	-	-	-	27,090	-	27,090	112	**27,202**
Other comprehensive income								
Translation differences	-	-	-	-	(30)	(30)	-	**(30)**
Total comprehensive income	**-**	**-**	**-**	**27,090**	**(30)**	**27,060**	**112**	**27,172**
Capital contribution from shareholders (Note 1, Note 18)	1,500	-	-	-	-	1,500	-	**1,500**
Group reorganization (Note 1, Note 5.2, Note 18)	580,300	(519,495)	(19)	-	-	60,786	-	**60,786**
Costs related to reorganization and anticipated listing (Note 18)	-	(1,062)	-	-	-	(1,062)	-	**(1,062)**
Cash dividends	-	-	-	(46,237)	-	(46,237)	(70)	**(46,307)**
At 30 June 2017	**581,990**	**(520,557)**	**-**	**38,977**	**(71)**	**100,339**	**3**	**100,342**

	Issued capital	Share premium	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total equity	Non-controlling interest	Total equity
As at 1 January 2016	**190**	**-**	**19**	**50,392**	**(122)**	**50,479**	**3**	**50,482**
Profit for the period	-	-	-	22,216	-	22,216	14	**22,230**
Other comprehensive income								
Translation differences	-	-	-	-	(18)	(18)	(3)	**(21)**
Total comprehensive income	**-**	**-**	**-**	**22,216**	**(18)**	**22,198**	**11**	**22,209**
Cash dividends	-	-	-	(40,961)	-	(40,961)	-	**(40,961)**
At 30 June 2016	**190**	**-**	**19**	**31,647**	**(140)**	**31,716**	**14**	**31,730**

These interim consolidated financial statements from page 3 to page 45 were approved by the Board of Directors and were authorised for issue on 29 August 2017.

All amounts in RON thousand, unless specified otherwise

	Note	30 June 2017	30 June 2016
Operating activities			
Profit before tax		28,391	25,545
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	11	5,692	4,394
Amortisation of intangible assets	12	487	390
Net foreign exchange differences		(71)	(65)
Loss on disposal of property, plant and equipment		-	148
Finance income	9.2	(109)	(125)
Finance costs	9.1	395	332
Working capital adjustments:			
Decrease in trade and other receivables and prepayments		4,794	835
(Increase)/decrease in inventories		(516)	314
Decrease in trade and other payables		(5,281)	(2,933)
Interest received		109	125
Interest paid		(434)	(324)
Income tax paid		(1,848)	(4,078)
Net cash flows from operating activities		**31,609**	**24,558**
Investing activities			
Proceeds from sale of property, plant and equipment		-	8
Purchase of intangible assets		(1,132)	(1,573)
Purchase of property, plant and equipment		(14,596)	(6,294)
Acquisition of subsidiary, net of cash	5.2	2,161	-
Net cash flows used in investing activities		**(13,567)**	**(7,859)**
Financing activities			
Capital contribution from shareholders of Sphera on set up, net of transaction costs paid	18	1,151	-
Proceeds from borrowings		19,225	3,552
Repayment of borrowings		(5,051)	(3,678)
Payment of finance lease liabilities		(134)	(156)
Dividends paid to equity holders of the parent		(46,237)	(40,961)
Dividends paid to non-controlling interests		(70)	-
Net cash flows used in financing activities		**(31,116)**	**(41,263)**
Net decrease in cash and cash equivalents		**(13,074)**	**(24,564)**
Net foreign exchange differences		(78)	(18)
Cash and cash equivalents at 1 January		**48,968**	**43,599**
Cash and cash equivalents at 30 June		**35,816**	**19,017**

These interim consolidated financial statements from page 3 to page 45 were approved by the Board of Directors and were authorised for issue on 29 August 2017.

1. CORPORATE INFORMATION

These interim consolidated financial statements are prepared by Sphera Franchise Group SA and comprise its activities and those of its subsidiaries, together referred hereinafter as ''SFG'' or ''the Group''.

The interim consolidated financial statements for the six months ended 30 June 2017 were authorized for issue in accordance with the resolution of the Board of Directors dated 29 August 2017.

The Group operates quick service and takeaway restaurant concepts (a chain of 66 restaurants) under the Kentucky Fried Chicken (''KFC''), spread across Romania as well as in the Republic of Moldova and in Italy, out of which one is not opened to public, as at 30 June 2017. The Group also operates a chain of pizza restaurants (21 restaurants as at 30 June 2017) as well as pizza delivery points (13 locations as at 30 June 2017) under the Pizza Hut ("PH") and Pizza Hut Delivery ("PHD") brands, spread across Romania, and one restaurant under Paul brand, in Romania. The Group's number of employees at 30 June 2017 was 4,238 (31 December 2016: 2,942).

Sphera Franchise Group SA (''the legal Parent'', or ''Sphera'') was incorporated on 16 May 2017 as a joint stock company and is registered at No. 239 Calea Dorobanti, Bucharest, Romania.

The purpose of the Group reorganization that resulted in the establishment of Sphera as the legal parent company of US Food Network SA (USFN), American Restaurant System SA (ARS), US Food Network SRL (USFN Italy or Italian subsidiary), US Food Network SRL (USFN Moldova or Moldavian subsidiary) and California Fresh Flavors SRL (Taco Bell) was to ensure a better coordination of activities and enhance value creation, by taking advantage of the synergies at group level and by achieving economies of scale. In terms of activities, Sphera will take over gradually until the end of September 2017 certain activities as well as 105 employees from USFN and ARS and will render to the benefit of the Group entities services such as management services, marketing support, development, sales support, human resources and other services.

Sphera has become the parent company of USFN and ARS on 30 May 2017, following the contribution by shareholders of USFN and ARS of 99.9997% of the shares in the two companies in exchange for shares in Sphera. On 8 June 2017 and 14 June 2017, Sphera purchased the shares held by USFN in US Food Network SRL (Republic of Moldova) and respectively US Food Network SRL (Italy).

USFN was incorporated in 1994 as a joint stock company and is registered at No. 28-30 Gheorghe Magheru Boulevard, Bucharest, Romania. For the purpose of preparing IFRS consolidated financial statements, USFN has been identified as being the acquirer of ARS on 30 May 2017, in accordance with the requirements of IFRS 3 (further detailed in Note 2.3). On this basis, the consolidated financial statements of SFG are a continuation of the consolidated financial statements of USFN. The acquisition of ARS is further detailed in Note 5.2. Since Sphera was not a business, the transition from USFN to Sphera as legal parent of the Group was accounted for as described in Note 18.

ARS' was incorporated in 1994 as a joint stock company and is registered at No. 5-7 Calea Dorobantilor Street, Bucharest, Romania.

The Moldavian subsidiary was incorporated in 2008 as a limited liability company and is registered at No. 45 Banulescu Bodoni Street, Chisinau, Republic of Moldova. The Group owns 80% of the company's shares.

The Italian subsidiary was incorporated in 2016 as a limited liability company and is registered at No. 6 Via Pietro Paleocapa Street, Milano, Italy. The Group owns 100% of the company's shares.

On 19 June 2017 Sphera has set up a new subsidiary, California Fresh Flavors SRL ("Taco Bell"), and holds 9,999 shares of its 10,000 shares (99.99% holding). The new subsidiary had no activity up to 30 June 2017. The company will operate as a limited liability one and is registered at No. 239 Calea Dorobanti, Bucharest, Romania.

2. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group in preparing its interim financial statements.

2.1 Basis of preparation

Statement of Compliance

The interim financial statements of the Group have been prepared in accordance with International Financial Reporting Standards applicable to interim financial reporting as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) (IAS 34).

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Romanian Lei (''RON'') and all values are rounded to the nearest thousand RON, except when otherwise indicated.

2.2 Basis of consolidation

The interim consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2017.

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

2.3 Business combination and goodwill

Business combinations are accounted for using the acquisition method. 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. Acquisition-related costs are expensed as incurred and included in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Where a business combination is effected primarily by exchanging equity interests, the acquirer is usually the entity that issues the equity. However, when a new entity is set up to issue equity shares to effect a business combination, the new entity has no economic substance and cannot be the acquirer. A combination between two or more entities that is structured so that a new entity issues equity instruments to the owners of the other entity(ies) is no different from a transaction in which one of the combining entities directly acquires the other(s). In such circumstances, the Group takes into consideration the following indicators in order to determine the acquirer:

- the relative size of the combining entities;
- relative voting rights after the combination;
- existence of a large minority voting interest in the combined entity if no other owner or organised group of owners has a significant voting interest;
- the composition of the governing bodies;
- the composition of the senior management of the combined entity ;
- the terms of the exchange of equity interests - the acquirer is usually the combining entity that pays a premium over the pre-combination fair value of the equity interests of the other combining entity or entities.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.1 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.4.2 Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the relevant notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All amounts in RON thousand, unless specified otherwise

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

2.4.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Restaurant revenue

Restaurant revenues are recognised when food and beverages are served. Revenues are recognised at fair value of meals and services delivered, net of value added tax charged to customers.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms.

Interest income

Interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in ''Finance income'' in profit or loss.

2.4.4 Foreign currencies

The Group's financial statements are presented in Romanian New Lei (''RON''), which is also the legal parent Company's functional currency, as well as that of USFN. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency (namely Moldavian Leu ''MDL'' for the Moldavian subsidiary and the Euro ''EUR'' for the Italian subsidiary).

The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

The exchange rate RON – EUR as at 30 June 2017 and 31 December 2016 were:

	30 June 2017	**31 December 2016**
RON - EUR	4.5539	4.5411
RON - USD	3.9915	4.3033
RON - MDL	0.2199	0.2174

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RON at the rate of exchange prevailing at the reporting date and their revenues and expenses are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the profit or loss.

2.4.5 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax

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.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for: all deductible temporary differences and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and any unused tax losses that can be utilised, except:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, no deffered tax is recognized, and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is 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 reassessed 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.

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 other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax (VAT and similar taxes)

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.4.6 Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Where appropriate, the cost of property, plant and equipment includes site preparation costs, installation costs and the cost of obtaining permits required to bring the asset ready for use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The cost of property, plant and equipment also includes the cost of replacing parts of the property, plant and equipment.

All repair and maintenance costs are recognised in the profit or loss as incurred. The Group leases its restaurant locations by way of operating leases, which are not recognised in the Group's statement of financial position. The cost of improvements to leasehold assets is recognised as leasehold improvements and then depreciated as outlined below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs directly related to purchasing of assets connected with opening restaurants in leased locations, including the costs of architecture design, legal assistance, wages and salaries, and benefits of employees directly involved in launching a given location are included in "property, plant and equipment". These assets are depreciated over the expected useful life of the restaurant.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold buildings	40 years
Leasehold improvements	over the lease contract duration (usually 10 years, including first renewal period)
Computers and IT equipment	3 to 5 years
Vehicles	5 years
Other property, plant and equipment	2 to 10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Start-up expenses for new restaurants

Start-up expenses for new restaurants represent costs related to the opening of new restaurant premises. Such expenses include rent and payroll expenses, new personnel training and other overhead expenses that arise before the opening of new restaurants. Start-up expenses for new restaurants are recognised as operating expense in the accounting period in which the related work was performed.

2.4.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is, or contains a lease, if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in 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 profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term. Depending on contractual terms, the operating lease payment amounts are calculated for each restaurant as either a percentage of revenue (i.e. sales levels) with a minimum fixed monthly payment or as a fixed monthly payment. Some lease agreements contain escalation clauses.

For leases with fixed escalating payments and/or fit-out works incentives received, the Group records rent expense on a straight-line basis over the lease term. Contingent rentals are based on sales levels in excess of stipulated amounts, and thus are not considered minimum lease payments and are included in rent expense when attainment of the contingency is considered probable (i.e. when Group’s sales occur).

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

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

Intangible assets with finite useful lives are amortised on a straight-line basis over the useful economic lives from 3 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Franchise rights

Franchise costs are incurred in obtaining franchise rights or licences to operate quick service and take-away restaurant concepts. They include the initial fee paid to the system franchisor when a new restaurant is opened or when the rights and licences are renewed. These are measured at cost less accumulated amortisation and accumulated impairment. Amortisation is on a straight line basis over the life of the applicable franchise or licence agreement, of 10 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.9 Impairment of non-financial assets, including goodwill

At each reporting date, management assesses whether there is any indication of impairment for property, plant and equipment or intangible assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as an expense (impairment loss) in the statement of comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

For the purpose of impairment testing each restaurant is a cash generating unit.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit (CGU) (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.4.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

The Group's financial assets are represented by loans and receivables and cash and cash equivalents.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date on which the Group commits to purchase or sell the asset.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss.

For more information on receivables, refer to Note 16. Receivables due in less than 12 months are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of its continuing involvement in it. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of financial assets

Disclosures relating to impairment of financial assets are summarised in the following notes:

- Financial instruments risk management — Note 14
- Trade receivables — Note 16

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the losses arising from impairment are recognised in profit or loss in ''Finance costs'' for loans and in ''Other operating expenses'' for receivables. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If a write-off is later recovered, the recovery is credited to profit or loss in “Finance costs” for loans and in “Other operating expenses,net” for trade receivables.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities measured at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities measured at amortised cost, net of directly attributable transaction costs.

The Group’s financial liabilities include only financial liabilities measured at amortised cost (trade and other payables and loans and borrowings).

Subsequent measurement

After initial recognition, interest bearing loans and borrowings and any other long-term payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

Trade and other payables with a maturity of 12 months or less are not discounted.

De-recognition

A financial 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 a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.11 Inventories

Inventories, which include food, beverages and other supplies, are stated at the lower of cost or net realisable value. Cost of inventory is determined on the weighted-average basis and includes expenditures incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense and reported as a component of cost of sales in the statement of comprehensive income in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the same component of the statement of comprehensive income as the consumption of the respective inventory, in the period the write-down or loss occurs.

2.4.12 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits.

For the purpose of the statement cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

2.4.13 Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year. Prepayments to acquire current assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Prepayments to acquire property, plant and equipment are classified as construction in progress. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss.

2.4.14 Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess or deficit of the fair value of consideration received over the par value of shares issued is recognised as share premium.

Dividends

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws of Romania, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.15 Royalties

Royalties in connection to franchise rights are recognised as an expense as restaurants revenue is earned.

2.4.16 Provisions

General

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. Where 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 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.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2.4.17 Employee benefits

The Group, in the normal course of business, makes payments on behalf of its employees for pensions (defined contribution plans), health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances, travel expenses and holiday allowances are also calculated according to the local legislation.

The cost of these payments is charged to the statement of comprehensive income in the same period as the related salary cost. Accruals are created for holiday allowances if there are non-used holidays according the local legislation.

The Group does not operate any other pension scheme or post-retirement benefits plan and consequently, has no obligation in respect of pensions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Judgements

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

Classification of lease agreements

A lease is classified as a finance lease if it transfers to the Group substantially all the risks and rewards incidental to ownership, otherwise it is classified as an operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. If the lease term is longer than 75 percent of the economic life of the asset, or if at the inception of the lease the present value of the minimum lease payments amounts to at least 90 percent of the fair value of the leased asset, the lease is classified by the Group as finance lease, unless it is clearly demonstrated otherwise.

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 parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of property and equipment

The Group assesses the remaining useful lives of items of property and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 ''Accounting Policies, Changes in Accounting Estimates and Errors''. These estimates may have a material impact on the amount of the carrying values of property and equipment and on depreciation recognised in profit or loss.

In particular, the Group assesses for its operating leases that generally have an initial term of 5 years with renewal option for another 5 years, that the leasehold improvements' useful life is of 10 years due to the fact that historically most of such leases have been renewed after the initial term of 5 years, that the refurbishment needed after the first 5 years is of significantly less value compared to the initial set-up, and that 10 years is also the duration of the related franchise.

4. CHANGES IN ACCOUNTING POLICIES

4.1 CHANGES IN ACCOUNTING POLICIES FROM 1 JANUARY 2017

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2017:

IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)
The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have not yet been endorsed by the EU. Management has not made use of this amendment.

IAS 7: Disclosure Initiative (Amendments)
The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments have not yet been endorsed by the EU. Management has not made use of this amendment.

The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The following annual improvement has not yet been endorsed by the EU. This improvement did not have an effect on the Group's financial statements.

- ***IFRS 12 Disclosure of Interests in Other Entities:*** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

4.2 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING 1 JANUARY 2017 AND NOT EARLY ADOPTED

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement
The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has assessed that the application of this standard will not have any significant impact on the financial position or performance of the Group.

4. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 15 Revenue from Contracts with Customers
The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management has assessed that the application of this standard will not have any significant impact on the financial position or performance of the Group.

IFRS 15: Revenue from Contracts with Customers (Clarifications)
The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the EU. Management has assessed that the application of this standard (including the clarifications) will not have any significant impact on the financial position or performance of the Group.

IFRS 16: Leases
The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. The Group is currently assessing the impact of the standard on its financial statements. Taking into consideration the significant number and value of signed lease agreements, the Group expects a significant impact following the adoption of the standard on its consolidated statement of financial position, and a less significant impact on its statement of comprehensive income.

IFRS 17: Insurance Contracts
The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. Management has assessed that the application of this standard will not have any impact on the financial position or performance of the Group.

4. CHANGES IN ACCOUNTING POLICIES (continued)

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that the application of the amendments will not have any impact on the financial position or performance of the Group.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Group.

IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. These Amendments have not yet been endorsed by the EU. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Group.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration
The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Group, as it already followed an approach aligned with these requirements.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. The amendments below are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. Management has assessed that the application of these improvements will not have any impact on the financial position or performance of the Group.

All amounts in RON thousand, unless specified otherwise

4. CHANGES IN ACCOUNTING POLICIES (continued)

- ***IFRS 1 First-time Adoption of International Financial Reporting Standards*:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments
The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. Management has assessed that the application of this interpretation will not have any impact on the financial position or performance of the Group.

IAS 40: Transfers to Investment Property (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. Management has assessed that the application of this amendment will not have any impact on the financial position or performance of the Group.

11 GROUP INFORMATION

5.1 Investments in controlled companies

Details of the Group consolidated subsidiaries at 30 June 2017 and 31 December 2016 are as follows:

Company name	Country of incorporation	Field of activity	Control 30 June 2017	Control 31 December 2016
US Food Network SA	Romania	Restaurants	99.9997%	Parent
American Restaurant System SA	Romania	Restaurants	99.9997%	n/a
California Fresh Flavours SRL	Romania	Restaurants	99.9900%	n/a
US Foods Network SRL	Moldova	Restaurants	80.0000%	80.0000%
US Food Network SRL	Italy	Restaurants	100.0000%	100.0000%

The value of non-controlling interests in USFN and ARS as of 30 June 2017 is below 1 thousand RON therefore there are no other presentations thereof.

5.2 Business combinations

On 30 May 2017, Sphera acquired 99.9997% of the shares in USFN and ARS, in exchange for Sphera shares. As Sphera is a new entity with no significant activities, USFN has been identified as the acquirer of ARS, mainly due to its relative size, USFN being far larger then ARS. Since Sphera was not a business, the transition from USFN to Sphera as legal parent of the Group was accounted for as described in Note 18.

All amounts in RON thousand, unless specified otherwise

5 GROUP INFORMATION (continued)

The fair values of the identifiable assets and liabilities of ARS as at the date of acquisition were:

	Fair values recognised on acquisition
Assets	
Property, plant and equipment	24,661
Intangible assets	2,874
Deposits for guarantees	235
Trade and other receivables	3,030
Inventories	1,198
Cash and cash equivalents	2,162
Assets held for sale	195
Liabilities	
Interest-bearing loans and borrowings	10,675
Trade and other payables	13,479
Total identifiable net assets at fair value	**10,201**
Goodwill arising on acquisition	50,585
Fair value of ARS business, equal to the nominal value of the shares issued by Sphera for the contribution of ARS shares	**60,786**

The fair value of the assets and liabilities acquired at the date of acquisition as well as the fair value of the business of ARS (based on which was effected the share capital increase of Sphera) were determined by an independent appraiser.

Goodwill arises from the acquired customer base and economies of scale expected from combining the operations of the Group and ARS.

From the date of acquisition, ARS contributed 8,580 of revenue and (221) to profit before tax of the Group. If the combination had taken place at the beginning of the year, Group restaurant sales would have been 287,834 and profit before tax for the Group would have been 30,312.

All amounts in RON thousand, unless specified otherwise

6 OTHER OPERATING EXPENSES, NET

	Six months ended 30 June 2017	30 June 2016
Third-party services	5,823	4,402
Utilities	4,718	4,115
Maintenance and repairs	2,656	1,784
Cleaning supplies	1,402	1,218
Small-wares	1,215	1,049
Transport	1,030	735
Telephone and postage	186	182
Insurance	106	93
Net gain/(loss) on disposal of property, plant and equipment	-	148
Miscellaneous expenses and income, net	1,338	604
Total	**18,474**	**14,330**

7 GENERAL AND ADMINISTRATION EXPENSES, NET

	Six months ended 30 June 2017	30 June 2016
Payroll and employee benefits	6,442	4,797
Third-party services	4,979	2,892
Depreciation and amortization	1,119	586
Rent	739	657
Banking charges	653	513
Transport	606	410
Maintenance and repairs	430	411
Small-wares	381	55
Telephone and postage	165	126
Insurance	137	114
Impairment of non-current assets	108	-
Advertising	25	48
Miscellaneous expenses and income, net	48	16
Total	**15,832**	**10,625**

All amounts in RON thousand, unless specified otherwise

8 DISCLOSURE OF TOTAL PAYROLL AND EMPLOYEE BENEFITS EXPENSE AND TOTAL DEPRECIATION AND AMORTIZATION EXPENSE

8.1 Payroll and employee benefits

	Six months ended 30 June 2017	Six months ended 30 June 2016
Payroll and employee benefits recognized in "Restaurant expenses"	43,430	30,623
Payroll and employee benefits recognized in "General and administration expenses, net"	6,442	4,797
Total payroll and employee benefits	**49,872**	**35,420**

8.2 Depreciation and amortization

	Six months ended 30 June 2017	Six months ended 30 June 2016
Depreciation and amortization recognized in "Restaurant expenses"	4,952	4,198
Depreciation and amortization recognized in "General and administration expenses, net"	1,119	586
Total depreciation and amortization	**6,071**	**4,784**

9 FINANCE COSTS AND INCOME

9.1 Finance costs

	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest on loans and borrowings	380	324
Finance charges payable under finance leases	15	8
Foreign exchange loss, net	45	646
Total	**440**	**978**

9.2. Finance income

	Six months ended 30 June 2017	Six months ended 30 June 2016
Interest income	109	125
Total	**109**	**125**

All amounts in RON thousand, unless specified otherwise

10 INCOME TAX

The major components of income tax expense for the six months ended 30 June 2017 and 30 June 2016 are:

	Six months ended	
	30 June 2017	**30 June 2016**
Current income tax:		
Current income tax charge	1,617	3,277
Deferred tax:		
Relating to origination and reversal of temporary differences	(428)	38
Income tax expense reported in the statement of comprehensive income	**1,189**	**3,315**

A reconciliation between tax expense and the product of accounting profit multiplied by Romania's domestic tax rate for the six months ended 30 June 2017 and 30 June 2016 is as follows:

	Six months ended	
	30 June 2017	**30 June 2016**
Accounting profit before income tax	**28,391**	**25,545**
At statutory income tax rate of 16%	4,543	4,087
Effect of higher tax rates in Italy on fiscal loss	(138)	-
Effect of lower tax rates in the Republic of Moldova	(16)	4
Other income exempted from tax	(94)	(132)
Effect of changes in the tax legislation and tax rates	(3,324)	-
Sponsorship fiscal credit	(13)	(886)
Non-deductible expenses for tax purposes	231	242
At the effective income tax rate	**1,189**	**3,315**

The changes in tax legislation and tax rates relate to the tax levied on restaurant activity applicable for the companies active in the restaurant industry starting with 1 January 2017. Specifically, per the updated regulations, the income tax for the restaurant activity has been replaced by a specific tax, computed based on a minimum fixed amount multiplied by the impact of three criteria: restaurant area, restaurant location and seasonality (amounting to 1,155 for 6 months ended 30 June 2017). The taxation of the non-restaurant activities has not suffered changes.

Deferred tax

Deferred tax reconciliation with corresponding items in the consolidated statement of financial position and consolidated statement of comprehensive income is as follows:

	Statement of financial position		Statement of comprehensive income	
	30 June 2017	**31 December 2016**	**30 June 2017**	**30 June 2016**
Property, plant and equipment	11	22	11	37
Intangible assets	-	-	-	(27)
Fiscal losses	334	-	(334)	-
Operating lease incentives	33	18	(15)	23
Accruals	90	-	(90)	-
Loans and borrowings	-	-	-	5
Deferred tax benefit	**-**	**-**	**(428)**	**38**
Net deferred tax assets/(liabilities)	**468**	**40**		

The Group offsets tax assets and 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 tax authority.

All amounts in RON thousand, unless specified otherwise

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold buildings and leasehold improvements	Plant and machinery	Other equipment	Construction in progress	Total
Cost					
At 1 January 2016	**39,972**	**37,078**	**10,954**	**1,368**	**89,372**
Additions	4,746	6,074	2,778	2,451	**16,049**
Disposals	92	-	-	513	**605**
At 31 December 2016	**44,626**	**43,152**	**13,732**	**3,306**	**104,816**
Additions	5,179	3,627	1,086	8,816	**18,708**
Acquisition of subsidiary (Note 5.2)	12,345	8,910	2,048	1,358	**24,661**
Disposals	-	-	-	4,112	**4,112**
Exchange differences	29	24	4	-	**57**
At 30 June 2017	**62,179**	**55,713**	**16,870**	**9,368**	**144,130**
Depreciation					
At 1 January 2016	**20,108**	**21,269**	**6,911**	**-**	**48,288**
Depreciation charge for the year	3,757	3,792	1,428	-	**8,977**
Disposals	-	-	-	-	**-**
At 31 December 2016	**23,865**	**25,061**	**8,339**	**-**	**57,265**
Depreciation charge for the period	2,231	2,413	940	-	**5,584**
Impairment	108	-	-	-	**108**
Exchange differences	3	9	2	-	**14**
At 30 June 2017	**26,207**	**27,483**	**9,281**	**-**	**62,971**
Net Book Value					
At 1 January 2016	**19,864**	**15,809**	**4,043**	**1,368**	**41,084**
At 31 December 2016	**20,761**	**18,091**	**5,393**	**3,306**	**47,551**
At 30 June 2017	**35,972**	**28,230**	**7,589**	**9,368**	**81,159**

The Group has several finance lease contracts for motor vehicles. The carrying value of the leased assets as of 30 June 2017 and 31 December 2016 was: 739 and 485 respectively. The assets acquired under finance lease are pledged in favour of the leasing company.

As of 30 June 2017 and 31 December 2016, the gross book value of fully depreciated property, plant and equipment that were still in use amounted to 21,433 and 18,926 respectively.

The Group has pledged non-current assets (mostly equipment) in favour of Alpha Bank for the financing received. The net carrying amount of pledged assets as at 30 June 2017 is of 37,672 (31 December 2016: 35,517).

The additions during the six months ended 30 June 2017 and 31 December 2016 consist mainly in new restaurants' leasehold improvements, as well as restaurants' kitchen equipment.

All amounts in RON thousand, unless specified otherwise

12. INTANGIBLE ASSETS

	Goodwill	Franchise rights	Other intangible assets	Intangibles in progress	Total
Cost					
At 1 January 2016	**-**	**8,174**	**24**	**151**	**8,349**
Additions	-	2,257	63	594	**2,914**
At 31 December 2016	**-**	**10,431**	**87**	**745**	**11,263**
Additions	-	890	132	110	**1,132**
Acquisition of subsidiary (Note 5.2)	50,585	2,245	237	393	**53,460**
Exchange differences	-	5	1	-	**6**
At 30 June 2017	**50,585**	**13,571**	**457**	**1,248**	**65,861**
Amortisation					
At 1 January 2016	**-**	**4,040**	**11**	**-**	**4,051**
Amortisation	-	838	9	-	**847**
At 31 December 2016	**-**	**4,878**	**20**	**-**	**4,898**
Amortisation	-	476	11	-	**487**
Exchange differences	-	1	-	-	**1**
At 30 June 2017	**-**	**5,355**	**31**	**-**	**5,386**
Net book value					
At 1 January 2016	**-**	**4,134**	**13**	**151**	**4,298**
At 31 December 2016	**-**	**5,553**	**67**	**745**	**6,365**
At 30 June 2017	**50,585**	**8,216**	**426**	**1,248**	**60,475**

Additions during the six months ended 30 June 2017 and 31 December 2016 consisted mainly in franchise operating licenses acquired for newly opened restaurants.

All amounts in RON thousand, unless specified otherwise

13. INTEREST-BEARING LOANS AND BORROWINGS

	Interest rate, %	Maturity	30 June 2017	31 December 2016
Current interest-bearing loans and borrowings				
Obligations under finance leases	EURIBOR 3M+4.5%	21.05.2019	201	174
Bank loan	EURIBOR 3M + 2.85%	5 years from each withdrawal	15,603	7,622
Total current interest-bearing loans and borrowings			**15,804**	**7,796**
Non-current interest-bearing loans and borrowings				
Obligations under finance leases	EURIBOR 3M+4.5%	21.05.2019	214	226
Bank loan	EURIBOR 3M + 2.85%	5 years from each withdrawal	31,013	14,404
Total non-current interest-bearing loans and borrowings			**31,227**	**14,630**
Total interest-bearing loans and borrowings			**47,031**	**22,426**

The Group has a credit facility from Alpha Bank Romania made up of 3 sub-limits, as follows: credit facility for the development of new locations, issuance of bank guarantee letters and credit card. The loan is secured with property, plant and equipment of each restaurant location for which the credit limited has been utilised. The carrying amount of pledged property, plant and equipment and cash and cash equivalents is disclosed in Notes 11 and 17.

Covenants:

The Group’s borrowing arrangement with the Bank contains several covenants, mainly of quantitative nature, out of which the most important relates to the level of the service debt (whereby service debt is equal to EBITDA/ [principal plus interest payable]), which should exceed for any month 2.5.

Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of for the six months ended 30 June 2017 and for the year ended 31 December 2016.

14. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group's principal financial liabilities comprise loans and borrowings, including finance leases and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's financial assets are represented by loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations, as well as long-term deposits to guarantee rent payables.

The Group is exposed to interest rate risk, foreign exchange rate risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management ensures the Group's financial risk activities are performed under appropriate procedures and that financial risks are identified, measured and managed in accordance with Group risk appetite.

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Trade and other receivables and payables are non-interest bearing financial assets and liabilities. The borrowings are usually exposed to interest rate risk through market value fluctuations of interest-bearing long-term and short-term credit facilities. Interest rates on the Group's debt finance are variable. The interest rates on credit facilities of the Group are disclosed in Note 13. Changes in interest rates impact primarily loans and borrowings by changing either their future cash flows (variable rate debt). Management policy is to resort mainly to variable rate financing. However, at the time of rising new loans or borrowings management uses its judgment to decide whether it believes that fixed or variable rate would be more favourable to the Group over the expected period until maturity.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Group's profit before tax and equity are affected through the impact on floating rate borrowings, as follows:

	Increase in basis points	Effect on profit before tax
30 June 2017 (for six months)	1%	(235)
EUR		
31 December 2016 (for one year)		
EUR	1%	(224)

The Group does not hedge its interest rate risk.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. An equal decrease of the interest rate would have the same effect but of opposite impact.

All amounts in RON thousand, unless specified otherwise

14. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities, as the financing contracted by the Group is Euro based. The vast majority of revenues and expenses, trade and other receivables and payables is in RON.

The Group monitors the currency risk by following changes in exchange rates in currencies in which its intercompany balances and external debts are denominated. The Group does not have formal arrangements to mitigate its currency risk.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the EUR and US dollar exchange rate. The Group's exposure to foreign currency changes for all other currencies is not material. With all other variables held constant the Group's profit before tax and equity (excluding translation of Italian subsidiary for presentation into RON) are affected as follows:

	Increase in EUR rate	Effect on profit before tax	Increase in USD rate	Effect on profit before tax
30 June 2017 (for six months)	1%	(237)	1%	(10)
31 December 2016 (for one year)	1%	(229)	1%	(23)

An equal decrease of the EUR/USD rate would have the same effect but of opposite impact.

Credit risk

The Group is not significantly exposed to credit risk as the majority of its sales are on a cash basis. The Group's credit risk is primarily attributed to trade and other receivables and balances with banks. The carrying amount of trade and other receivables, net of allowance for impairment (Note 16 and deposits for rent guarantee as per statement of financial position) plus balances with banks (Note 17), represent the maximum amount exposed to credit risk. Management believes that there is no significant risk of loss to the Group beyond the allowances already recorded.

The Group invests cash and cash equivalents with highly reliable financial institutions. The Group has only plain vanilla deposits with reputable banks, none of which has experienced any difficulties in 2017 or up to the date of these consolidated financial statements. The majority of cash is transacted through and placed with Alpha Bank Romania, member of Alpha Bank Group from Greece and Banca Romana de Dezvoltare (BRD), a member of Societe Generale Group from France, as well as with Unicredit Bank Italy. The long-term credit rating of Alpha Bank Greece is Caa3 as provided by Moody's rating agency, no credit rating being available for its Romanian subsidiary. The long-term credit rating of BRD is Baa3, while the one for Unicredit is Baa1, both provided by Moody's

There is no significant concentration of credit risk in respect of trade and other receivables due to the fact that sales are based mainly on cash and credit card payments. Therefore there are no formal policies in the Group to manage credit risk for trade receivables. The Group's credit risk is primarily attributed to loans and receivables from related parties, for which the probability of losses is considered remote.

All amounts in RON thousand, unless specified otherwise

14. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Liquidity risk

The Group has adopted a prudent financial liquidity management approach, assuming that sufficient cash and cash equivalents are maintained and that further financing is available from guaranteed funds from credit lines. The tables below summarizes the maturity profile of the Group's financial liabilities, including principal amounts and interests according to contractual terms, at 30 June 2017 and 31 December 2016 based on contractual undiscounted payments.

30 June 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	40	4,115	12,505	31,918	26	48,604
Trade and other payables	3,454	25,151	97	1,330	-	30,032
Total:	**3,494**	**29,266**	**12,602**	**33,248**	**26**	**78,636**

31 December 2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	20	2,203	6,105	15,017	190	23,535
Trade and other payables	4,391	20,058	43	1,674	-	26,166
Total:	**4,411**	**22,261**	**6,148**	**16,691**	**190**	**49,701**

At 30 June 2017, the Group had available 38,020 of undrawn committed borrowing facilities (31 December 2016: 50,323), thus being able to respond to any unforeseen higher cash outflow needs.

Capital management

Capital includes the equity attributable to the equity holders of the parent.

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group may monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group does not have a target gearing ratio, as the overall gearing is low. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash deposits.

All amounts in RON thousand, unless specified otherwise

14. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

	30 June 2017	**31 December 2016**
Interest-bearing loans and borrowings	47,030	22,426
Financial trade and other payables	30,412	26,167
Less: cash and short-term deposits	35,816	48,968
Net debt	**41,626**	**(375)**
Equity	100,339	58,292
Capital and net debt	**141,965**	**57,917**
Gearing ratio:	29%	n/a

The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. For the covenants in force as at 30 June 2017 and 31 December 2016 please refer to Note 13.

No changes were made in the objectives, policies or processes for managing capital during the 6 months ended 30 June 2017 or the year ended 31 December 2016.

Fair values

The Group has no financial instruments carried at fair value in the statement of financial position.

The carrying amount of the interest bearing loans and borrowings approximate their fair value. Management estimates that the margin applicable over Euribor at the balance sheet date would be similar to the ones at the dates of each previous withdrawal, due to the fact that the Group maintained over the past years a low gearing ratio and a stable financial condition, and also based on statistics published by the National Bank of Romania.

Financial instruments which are not carried at fair value on the statement of financial position also include deposits to guarantee rent, trade and other receivables, cash and cash equivalents, and trade and other payables.

The carrying amounts of these financial instruments are considered to approximate their fair values, due to their short term nature (in majority) and low transaction costs of these instruments.

15. INVENTORIES

	30 June 2017	**31 December 2016**
Raw materials	4,656	3,979
Consumables	2,028	1,211
Finished goods	774	554
Total	**7,458**	**5,744**

For the six months ended 30 June 2017, inventories amounting to 90,942 (30 June 2016: 77,747) were recognised as an expense in profit or loss, in ''Food and materials'' as well as in ''General and administrative expenses, net'' ("Small-wares" and "Cleaning supplies").

All amounts in RON thousand, unless specified otherwise

16. TRADE AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
Trade receivables, net	305	1,233
Trade receivables from related parties	802	442
Advances to related parties	-	4,531
Loans to related parties	489	483
Tax receivables	1,063	440
Advance to suppliers	1,331	974
Meal tickets	950	677
Other debtors	422	-
Total	**5,362**	**8,780**
Less non-current portion:		
Trade receivables from related parties	285	-
Trade and other receivables, current	**5,077**	**8,780**

Terms and conditions relating to related party transactions are described in Note 24.

Trade receivables are non-interest bearing and are generally on terms of 30-90 days.

As at 30 June 2017, trade receivables with a value of 392 were impaired and fully provided for. See below for the movements in the provision for impairment of receivables:

	Total
At 1 January 2016	**380**
Charge for the year	4
At 31 December 2016	**384**
Acquisition of subsidiary	8
At 30 June 2017	**392**

As at 30 June 2017 and 31 December 2016, the ageing analysis of trade receivables and trade receivables from related parties, net of allowances, is, as follows:

			Past due but not impaired				
	Total	Neither past due nor impaired	< 30 days	30-60 days	61-90 days	91-120 days	> 120 days
30 June 2017	1,107	825	43	26	50	2	160
31 December 2016	1,675	361	1,061	75	10	3	165

17. CASH AND SHORT-TERM DEPOSITS

	30 June 2017	31 December 2016
Cash at banks and on hand	13,816	35,874
Cash in transit	493	340
Short-term deposits	21,507	12,754
Total	**35,816**	**48,968**

Deposits at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group.

As part of the financing agreement with Alpha Bank the Group has pledged the cash available in the accounts opened with the bank. The balance of the pledged bank accounts as at 30 June 2017 is of 30,449 (31 December 2016: 44,239).

18. ISSUED CAPITAL

	31 December 2016
Authorised shares (USFN)	
Ordinary shares of 0.25 RON each	380,000
Share capital (RON thousand)	95
Hyperinflation (RON thousand)	95

The shareholders of USFN as of 31 December 2016 were Lunic Franchising and Consulting Ltd. (22.34%), Tatika Investments Ltd. (27.33%), M.B.L. Computers SRL (23%), Wellkept Group SA (16.34%) and Anasa Properties SRL (10.99%).

	30 June 2017
Authorised shares (Sphera)	
Ordinary shares of 15 RON each	38,799,340
Share capital (RON thousand)	581,990

The shareholders of Sphera at 30 June 2017 are Lunic Franchising and Consulting Ltd. (22.34%), Tatika Investments Ltd. (27.33%), M.B.L. Computers SRL (23%), Wellkept Group SA (16.34%) and Anasa Properties SRL (10.99%).

All amounts in RON thousand, unless specified otherwise

18. ISSUED CAPITAL (continued)

The following changes took place as a result of the Group reorganization:

	Share capital	Share premium
Balance as at 1 January 2017 (including the hyperinflation adjustment)	**190**	**-**
Share capital contribution in cash upon set-up of Sphera	1,500	-
Increase of Sphera share capital upon contribution of ARS shares (at fair value of ARS business)	60,786	-
Increase of Sphera share capital upon contribution of USFN shares (at fair value of USFN business)	519,704	(519,704)
Sphera becoming legal parent of the Group	(190)	190
Reclassification of USFN legal reserves	-	19
Costs related to reorganization and anticipated listing	-	(1,062)
Balance as at 30 June 2017	**581,990**	**(520,557)**

Due to the fact that USFN is identified as the acquirer of ARS and the consolidated financial statements of SFG are a continuation of the consolidated financial statements of USFN, the fair value of the USFN business cannot increase the equity of the Group, thus there is a negative share premium recorded for the entire amount of the respective share capital increase of Sphera.

19. DISTRIBUTIONS MADE AND PROPOSED

	Six months ended 30 June 2017	2016
Declared and paid during the six months period/year:		
To owners of USFN	46,237	40,961
To non-controlling interests	70	84
Total dividends for the six months period/year	**46,307**	**41,045**
Dividends per share (RON/share) – USFN shares	122	108

20. TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
Trade payables	27,604	23,781
Other payables to related parties	2	55
Salary liability	10,442	7,679
Social contribution liability	3,014	2,001
Other employee related liabilities	1,218	739
Current income tax	1,355	1,848
VAT payable	-	32
Other taxes	1,205	500
Other payables	2,805	2,331
Total	**47,645**	**38,966**
Less: non-current portion of other payables	1,995	1,674
Trade and other payables, current	**45,650**	**37,292**

All amounts in RON thousand, unless specified otherwise

20. Trade and other payables (continued)

Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 30-day terms
- For terms and conditions relating to related parties, refer to Note 24

The other current and non-current payables are summarized below:

	30 June 2017	31 December 2016
Lease incentives (current and non-current)	1,438	725
Free of charge fit-outs (current and non-current)	1,244	1,528
Other payables (current)	124	77
Total	**2,806**	**2,330**

The lease incentive amounts relate to accruals recorded by the Group in order to allocate the lease incentives provided by landlords over the contractual period on a straight line basis. The free of charge fit-outs are represented by free of charge fit-out works/cash incentives received from landlords. The Group has recognized the amounts received in other payables and releases it to profit and loss over the contractual period.

21. EBITDA

		Six months ended	
	Note	**30 June 2017**	**30 June 2016**
Operating profit		**28,722**	**26,398**
Adjustments to bridge operating profit to EBITDA:			
Depreciation and amortization included in restaurant expenses	8.2	4,952	4,198
Depreciation and amortization included in general and administration expenses	8.2	1,119	586
EBITDA		**34,793**	**31,182**

EBITDA is one of the key performance measures monitored by senior management. EBITDA would be normalized to exclude any significant one-off items (either revenues or expenses) but no such exclusions were necessary for the six months periods ended 30 June 2017 and 30 June 2016.

All amounts in RON thousand, unless specified otherwise

22. EARNINGS PER SHARE (EPS)

	30 June 2017	31 December 2016
Profit attributable to ordinary equity holders of the parent	27,090	22,216
Weighted average number of ordinary shares	35,335,195	34,646,954
Earnings per share, basic and diluted (RON/share)	**0.7667**	**0.6412**

Earnings per share calculation reflects the weighted number of shares of Sphera as follows: the shares issued for the contribution of USFN shares are considered to be outstanding since 1 January 2016 (thus the earnings per share for the six months ended 30 June 2016 are also computed on this basis), while the shares issued for cash and for the contribution of ARS shares are taken into account from 31 May 2017.

There are no dilutive instruments to be considered.

23. COMMITMENTS AND CONTINGENCIES

Operating lease commitments — Group as lessee

The Group has entered into operating lease agreements for the premises of most of its restaurants. The lease terms are between five and ten years. Future minimum rentals payable under non-cancellable operating leases are as follows:

	30 June 2017	31 December 2016
Within one year	30,426	23,303
After one year but not more than five years	68,983	56,836
More than five years	23,996	23,987
Total:	**123,405**	**104,126**

Finance leases

The Group has finance leases for vehicles. The Group’s obligations under finance leases are secured by the lessor’s title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

	30 June 2017		31 December 2016	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	215	201	186	174
After one year but not more than five years	223	214	239	226
More than five years	-	-	-	-
Total minimum lease payments	**438**	**415**	425	400
			25	**-**
Less amounts representing finance charges	23	-		
Present value of minimum lease payments	**415**	**415**	**400**	**400**

All amounts in RON thousand, unless specified otherwise

23. COMMITMENTS AND CONTINGENCIES (continued)

Other commitments

Per the Italy network development plan, the Group has agreed with KFC Europe to open a minimum of 15 KFC locations during the years 2017- 2021 (3 locations per year) in the Tretino, Aldo Adige, Friuli and Veneto regions. In 2017 the Group has opened two locations. During the first 6 months of 2017 the Group has opened one location and the second one will be opened shortly. Should the Group fail to achieve these targets, the Group will pay KFC Europe a penalty equivalent to the initial franchise rights fee for each such location. The average initial rights fee is in amount of 200.

Per the Romania network development plan, the Group has agreed with KFC Europe to open a minimum of 12 KFC locations during the years 2017- 2019 (4 locations per year). During the first six months of 2017, no location was opened. However in July 2017, a drive thru was opened and another two are under development. Should the Group fail to achieve these targets, the Group will pay KFC Europe a penalty equivalent to the initial franchise rights fee for each such location. The average initial rights fee is in amount of 196.

Per the Romania network development plan concluded with Pizza Hut Europe (Master Franchisor), the Group has agreed to open a minimum of 9 Pizza Hut pizza delivery locations during the years 2017-2018 (4 locations in 2017 and 5 locations in 2018). Should the Group fail to achieve these targets (up until 1 year from notification received from Pizza Hut Europe), the Master Franchisor will be free to grant any other party the right to develop the outlets in breach. During the first six months of 2017 the Group has opened one delivery point and another 6 are under development.

Per the Romania network development plan concluded with TB International Holdings II SARL (the Franchisor), the Group has agreed to open a minimum of 10 Taco Bell restaurants during the years 2017- 2019 (2 restaurants in 2017, 3 restaurants in 2018 and 5 restaurants in 2019). Should the Group fail to achieve these targets, the Franchisor may terminate the incentives granted to the group (a reduction in franchise rights payable by the Group of 4% of each restaurant’s turnover for the first year and 2% for the second year).

Bank letter of guarantees

The Group has issued bank letters of guarantee in favour of suppliers as at 30 June 2017 in amount of 7,641 (31 December 2016: 5,257).

24. RELATED PARTY DISCLOSURES

During the six months ended 30 June 2016 and 30 June 2017, the Group has carried out transactions with the following related parties:

Related party	Nature of the relationship	Country of incorporation	Nature of transactions
Cinnamon Bake&Roll SRL	Entity with several common members of key management personnel	Romania	Sale of goods and services, loans provided
American Restaurant System SA	Entity with several common members of key management personnel	Romania	Sale of services, acquisition of goods
Moulin D'Or SRL	Entity with several common members of key management personnel	Romania	Sale of goods and services

All amounts in RON thousand, unless specified otherwise

24. RELATED PARTY DISCLOSURES (continued)

Up to 30 May 2017, until the Group obtained control over it as described in Note 5.2, American Restaurant System SA was a related party of the Group. As a result, transactions for the 5 months of 2017, until the acquisition date, are disclosed below.

	Sales to related parties	Purchases from related parties
American Restaurant System SA	1	57

The following table provides the total amount of transactions that have been entered into with related parties for the relevant period:

Related party	30 June 2017	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Cinnamon Bake&Roll SRL		6	-	797	2
Moulin D'Or SRL		1	4	5	-
American Restaurant System SA		1	57	-	-
		8	**61**	**802**	**2**
Related party	**30 June 2016 and 31 December 2016**				
Cinnamon Bake&Roll SRL		10	1	257	5
American Restaurant System SA		321	45,879	4,694	50
Moulin D'Or SRL		71	391	22	
		402	**46,271**	**4,973**	**55**

During 2010-2013, the Group has granted an interest free loan to Cinnamon Bake&Roll SRL. The loan balance as at 30 June 2017 was of 489 (31 December 2016: 483).

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the six months periods ended 30 June 2017 and for the year 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group:

	Six months ended 30 June 2017	Six months ended 30 June 2016
Short-term employee benefits	202	830
Fees paid to management entity	1,895	1,332
Total compensation paid to key management personnel	**2,097**	**2,162**

The amounts disclosed in the table are the amounts recognised as an expense during each reporting period.

All amounts in RON thousand, unless specified otherwise

25. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the restaurants' brands, as follows:

- KFC restaurants
- Pizza Hut restaurants.

For the six months ended 30 June 2017 the Group also had one more immaterial operating segment, being one Paul restaurant which is managed by USFN, and which was aggregated into the KFC segment.

The Board of Directors monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating profit and is measured consistently with ''Restaurant operating profit'' in the statement of comprehensive income in the special purpose financial statements.

Six months ended 30 June 2017	**KFC**	**Pizza Hut**	**Other**	**Eliminations**	**Consolidated**
Revenues from external customers	232,440	9,764	-	-	242,204
Inter-segment revenues	268	-	-	(268)	-
Operating expenses	189,595	8,323	-	(268)	197,650
Segment operating profit	**43,113**	**1,441**	**-**	**-**	**44,554**
Finance costs	-	-	440	-	440
Finance income	-	-	109	-	109
Income taxes	-	-	1,189	-	1,189
Net profit/(loss)	**28,708**	**14**	**(1,520)**	**-**	**27,202**
Total assets	**112,980**	**85,700**	**-**	**(3,661)-**	**195,019**
Total liabilities	**72,770**	**25,568**	**-**	**(3,661)-**	**94,677**
Capital expenditure	18,571	1,269	-	-	19,840
Depreciation, amortization and impairment	5,456	615	-	-	6,071

Inter-segment revenues are eliminated and reflected in the "Eliminations" column.

For the six months ended 30 June 2016 the only reportable segment was KFC (USFN also manages one pizza delivery point but its revenues, expenses, assets and liabilities were not significant enough to become a separate reporting segment).

Geographic information:

Revenue from external customers	**Six months ended** 30 June 2017	30 June 2016
Romania	234,592	189,568
Italy	3,481	-
Republic of Moldova	4,131	3,652
Total restaurant revenue	**242,204**	**193,220**

The revenue information above is based on the location of the customers.

All amounts in RON thousand, unless specified otherwise

25. SEGMENT INFORMATION (continued)

Non-current assets	**30 June 2017**	**31 December 2016**
Romania	133,959	52,004
Italy	6,999	-
Republic of Moldova	2,097	2,242
Total	**143,055**	**54,246**

Non-current assets consist mainly on leasehold improvements and kitchen related equipment.

The amounts for Italy as of 31 December 2016 were immaterial and were therefore aggregated into Romania line.

Transfer prices between operating segments are on an arm's length's basis in a manner similar to transactions with third parties.

26. EVENTS AFTER THE REPORTING PERIOD

After 30 June 2017, the Group opened one new restaurant: KFC John, as well as two new pizza delivery points: PHD Ploiesti and PHD Drumul Taberei.

In August 2017, the Group has concluded an additional development agreement with KFC Europe, concerning the Italy network development plan. Per this agreement, the Group has agreed to open a minimum of 10 KFC locations during the years 2017- 2022 (2 locations in 2017-18, 3 locations in 2019, 2 locations in 2020, 2 locations in 2021 and 1 location in 2022) in Piedmont region. Should the Group fail to achieve these targets, the Group will pay KFC Europe a penalty equivalent to the initial franchise rights fee for each such location. The average initial rights fee is in amount of 200.

AMERICAN RESTAURANT SYSTEM SA

INTERIM FINANCIAL STATEMENTS

Prepared in accordance with International Financial Reporting Standards
as adopted by the European Union

30 JUNE 2017

Contents

Building a better
working world

Ernst & Young Assurance Services SRL
Cladirea Bucharest Tower Center, et. 21
Bd. Ion Mihalache nr. 15-17, Sector 1
011171 Bucuresti, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

Report on review of interim financial information

To the Shareholders of American Restaurant System S.A.

Introduction

We have reviewed the accompanying interim financial statements of American Restaurant System S.A. ("the Company"), which comprise the interim statement of financial position as at 30 June 2017 and the interim statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months period ended 30 June 2017 and a summary of accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on the accompanying interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of the entity as at 30 June 2017, and of its financial performance and its cash flows for the six month period then ended in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ("IAS 34").

On behalf of

Ernst & Young Assurance Services SRL

Alina Dimitriu
Executive Director

Bucharest, Romania
14 September 2017

All amounts in RON thousand, unless specified otherwise

	Notes	30 June 2017	30 June 2016
Continuing operations			
Restaurant sales		54,210	46,398
Restaurant expenses:			
Food and material		14,830	12,606
Payroll and employee benefits	7.1	13,690	9,608
Rent		4,692	3,672
Advertising		2,973	2,727
Royalties		3,166	2,721
Other operating expenses, net	5	5,386	5,234
Depreciation and amortization	7.2	1,749	1,116
Restaurant operating profit		**7,724**	**8,714**
General and administration expenses, net	6	5,732	4,338
Operating profit		**1,992**	**4,376**
Finance costs	8.1	187	81
Finance income	8.2	6	93
Profit before tax from continuing operations		**1,811**	**4,388**
Income tax expense	9	772	626
Profit for the period from continuing operations		**1,039**	**3,762**
Discontinued operations			
Profit for the period from discontinued operations, net of tax	23	-	293
Profit for the period		**1,039**	**4,055**
Other comprehensive income		**-**	**-**
Total comprehensive income for the period, net of tax		**1,039**	**4,055**

These interim financial statements from page 3 to page 37 were approved by the Board of Directors and were authorised for issue on 30 August 2017.

Adrian Hulubescu

General Manager American Restaurant System SA

All amounts in RON thousand, unless specified otherwise

	Notes	30 June 2017	31 December 2016
Assets			
Non-current assets		**22,799**	**21,374**
Property, plant and equipment	10	19,511	18,201
Intangible assets	11	2,757	2,917
Trade and other receivables	15	285	-
Deposits for rent guarantee		246	256
Current assets		**6,225**	**11,612**
Inventories	14	1,206	1,111
Trade and other receivables	15	1,513	6,089
Prepayments		1,186	1,118
Cash and short-term deposits	16	2,320	3,294
Assets held for sale		195	195
Total assets		**29,219**	**33,181**
Equity and liabilities			
Equity			
Issued capital	17	1,644	1,644
Other capital reserves		21	21
Retained earnings		1,986	4,315
Total equity		**3,651**	**5,980**
Non-current liabilities		**7,273**	**7,865**
Interest-bearing loans and borrowings	12	6,950	7,536
Trade and other payables	19	323	329
Current liabilities		**18,295**	**19,336**
Trade and other payables	20	13,967	15,401
Interest-bearing loans and borrowings	12	4,328	3,935
Total liabilities		**25,568**	**27,201**
Total equity and liabilities		**29,219**	**33,181**

These interim financial statements from page 3 to page 37 were approved by the Board of Directors and were authorised for issue on 30 August 2017.

All amounts in RON thousand, unless specified otherwise

	Issued capital	Share premium	Legal reserve	Retained earnings	Total equity
As at 1 January 2017	**1,644**	**-**	**21**	**4,315**	**5,980**
Profit for the period	-	-	-	1,039	1,039
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**1,039**	**1,039**
Cash dividends	-	-	-	(3,368)	(3,368)
At 30 June 2017	**1,644**	**-**	**21**	**1,986**	**3,651**

	Issued capital	Share premium	Legal reserve	Retained earnings	Total equity
As at 1 January 2016	**1,644**	**-**	**21**	**7,116**	**8,781**
Profit for the period	-	-	-	4,055	4,055
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**4,055**	**4,055**
Cash dividends	-	-	-	(6,030)	(6,030)
At 30 June 2016	**1,644**	**-**	**21**	**5,141**	**6,806**

These interim financial statements from page 3 to page 37 were approved by the Board of Directors and were authorised for issue on 30 August 2017.

All amounts in RON thousand, unless specified otherwise

	Notes	30 June 2017	30 June 2016
Operating activities			
Profit before tax from continuing operations		1,811	4,388
Profit before tax from discontinued operations		-	349
Profit before tax		**1,811**	**4,737**
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	10	1,609	1,294
Amortisation of intangible assets	11	207	147
Net foreign exchange differences		(8)	2
Loss/(Gain) on disposal of property, plant and equipment		(4)	6
Finance income	8.2	(6)	(15)
Finance costs	8.1	157	81
Movements in current asset allowances		(63)	-
Working capital adjustments:			
Decrease in trade and other receivables and prepayments		4,233	2,187
Increase in inventories		(32)	(2,420)
Decrease in trade and other payables		(2,212)	(483)
Interest received		6	15
Interest paid		(162)	(96)
Income tax paid		-	(928)
Net cash flows from operating activities		**5,536**	**4,527**
Investing activities			
Proceeds from sale of property, plant and equipment		8	-
Purchase of intangibles		(47)	(496)
Purchase of property, plant and equipment		(2,923)	(4,139)
Net cash flows used in investing activities		**(2,962)**	**(4,635)**
Financing activities			
Payment of finance lease liabilities		(98)	(81)
Proceeds from borrowings		1,838	3,762
Repayment of borrowings		(1,920)	(1,297)
Dividends paid to equity holders		(3,368)	(6,030)
Net cash flows used in financing activities		**(3,548)**	**(3,646)**
Net decrease in cash and cash equivalents		(974)	(3,754)
Cash and cash equivalents at 1 January		**3,294**	**5,574**
Cash and cash equivalents at 30 June		**2,320**	**1,820**

These interim financial statements from page 3 to page 37 were approved by the Board of Directors and were authorised for issue on 30 August 2017.

1. CORPORATE INFORMATION

These interim financial statements are prepared by American Restaurant System SA, referred hereinafter as ''ARS' or ''the Company'', and reflect the results of its operations and activities.

The interim financial statements for the six months ended 30 June 2017 were authorized for issue in accordance with the resolution of the Board of Directors dated 30 August 2017.

The Company operates a chain of pizza restaurants (21 restaurants as at 30 June 2017) as well as pizza delivery points (13 locations as at 30 June 2017) under the Pizza Hut ("PH") and Pizza Hut Delivery ("PHD") brands, spread across Romania. The Company's number of employees at 30 June 2017 was 1,044 (31 December 2016: 1,007). The Company was incorporated in 1994 as a joint stock company and is registered at No. 5-7 Calea Dorobantilor Street, Bucharest, Romania.

During May 2017, the shareholders of the Company have set-up a new entity called Sphera Franchise Group SA (''Sphera''). The purpose of the reorganization that resulted in the establishment of Sphera as the legal parent company of US Food Network SA (USFN), American Restaurant System SA (ARS), US Food Network SRL (USFN Italy or Italian subsidiary), US Food Network SRL (USFN Moldova or Moldavian subsidiary) and California Fresh Flavors SRL (Taco Bell) was to ensure a better coordination of activities and enhance value creation, by taking advantage of the synergies at group level and by achieving economies of scale. In terms of activities, Sphera will take over gradually until the end of September 2017 certain activities as well as 105 employees from USFN and ARS and will render to the benefit of the Group entities services such as management services, marketing support, development, sales support, human resources and other services.

Sphera has become the parent company of ARS on 30 May 2017, following the contribution by the existing shareholders of 99.9997% of the shares in ARS in exchange for shares in Sphera (please refer also to Note 17).

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Statement of Compliance

The interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards applicable to interim financial reporting as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) (IAS 34).

The interim financial statements have been prepared on a historical cost basis. The financial statements are presented in Romanian New Lei (''RON'') and all values are rounded to the nearest thousand RON, except when otherwise indicated.

2.2 Summary of significant accounting policies

The following are the significant accounting policies applied by the Company in preparing its interim financial statements.

2.2.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.2.2 Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the relevant notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair \value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

All amounts in RON thousand, unless specified otherwise

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Restaurant revenue

Restaurant revenues are recognised when food and beverages are served. Revenues are recognised at fair value of meals and services delivered, net of value added tax charged to customers.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms.

Interest income

Interest income or expense is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in “Finance income” in profit or loss.

2.2.4 Foreign currencies

The Company’s financial statements are presented in RON, which is also its functional currency.

Transactions in foreign currencies are translated into RON by applying the exchange rates prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies at year-end are translated to RON at the exchange rates prevailing on that date. Realized and unrealized exchange gains and losses are recognized in profit or loss.

The exchange rate RON – EUR and RON – USD as at 30 June 2017 and 31 December 2016 was:

	30 June 2017	**31 December 2016**
RON - EUR	4.5539	4.5411
RON - USD	3.9915	4.3033

2.2.5 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in Romania, the country where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax

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.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for: all deductible temporary differences: the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is 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 reassessed 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.

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 other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax (Value added tax and similar)

Revenues, expenses and assets are recognised net of the amount of sales tax, except:
- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.6 Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Where appropriate, the cost of property, plant and equipment includes site preparation costs, installation costs and the cost of obtaining permits required to bring the asset ready for use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The cost of property, plant and equipment also includes the cost of replacing parts of the property, plant and equipment. All repair and maintenance costs are recognised in the profit or loss as incurred.
The Company leases most of its restaurant locations by way of operating leases which are not recognised in the Company's statement of financial position. The cost of improvements to leasehold assets is capitalised as buildings or recognised as leasehold improvements and then depreciated as outlined below.

Costs directly related to purchasing of assets connected with opening restaurants in leased locations, including the costs of architecture design, legal assistance, wages and salaries, and benefits of employees directly involved in launching a given location are included in "property, plant and equipment". These assets are depreciated over the expected useful life of the restaurant.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Freehold buildings	40 years
Leasehold improvements	over the lease contract duration (usually 10 years, including first renewal period)
Computers and IT equipment	3 to 5 years
Vehicles	5 years
Other property, plant and equipment	2 to 10 years

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is de-recognised.

The useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Start-up expenses for new restaurants

Start-up expenses for new restaurants represent costs related to the opening of new restaurant premises. Such expenses include rent and payroll expenses, new personnel training and other overhead expenses that arise before the opening of new restaurants. Start-up expenses for new restaurants are recognised as operating expense in the accounting period in which the related work was performed.

2.2.7 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is, or contains a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in 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 profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term. Depending on contractual terms, the operating lease payment amounts are calculated for each restaurant as either a percentage of revenue (i.e. sales levels) with a minimum fixed monthly payment or as a fixed monthly payment. Some lease agreements contain escalation clauses.

For leases with fixed escalating payments and/or fit-out works incentives received, the Company records rent expense on a straight-line basis over the lease term, including any option periods considered in the determination of that lease term. Contingent rentals are generally based on sales levels in excess of stipulated amounts, and thus are not considered minimum lease payments and are included in rent expense when attainment of the contingency is considered probable (i.e. when Company sales occur).

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.2.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

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

Intangible assets with finite useful lives are amortised on a straight-line basis over the useful economic lives from 3 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisations periods are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Franchise rights

Franchise costs are incurred in obtaining franchise rights or licences to operate the pizza restaurants and pizza delivery points. They include the initial fee paid to the system franchisor when a new restaurant is opened or when the rights and licences are renewed. These are measured at cost less accumulated amortisation and accumulated impairment. Amortisation is on a straight line basis over the life of the applicable franchise or licence agreement of 10 years.

2.2.9 Impairment of non-financial assets

At each reporting date, management assesses whether there is any indication of impairment for property, plant and equipment or intangible assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as an expense (impairment loss) in the statement of comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

For the purpose of impairment testing each restaurant is a cash generating unit.

2.2.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

The Company’s financial assets are represented solely by loans and receivables and cash and cash equivalents.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date on which the Company commits to purchase or sell the asset.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in ‘’Finance income’’ in profit or loss.

For more information on receivables, refer to Note 15. Receivables due in less than 12 months are not discounted.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired, or
  The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either a) the Company has transferred substantially all the risks and rewards of the asset, or b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and, to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of its continuing involvement in it. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

ii) Impairment of financial assets

Disclosures relating to impairment of financial assets are summarised in the following notes:

- Financial instruments risk management Note 13
- Trade receivables Note 15

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the losses arising from impairment are recognised in profit or loss in “Finance costs” for loans and in “Other operating expenses, net” for receivables. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If a write-off is later recovered, the recovery is credited to finance costs in profit or loss in “Finance costs” for loans and in “Other operating expenses, net” for trade receivables.

iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities measured at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities measured at amortised cost, net of directly attributable transaction costs.

The Company’s financial liabilities include only financial liabilities measured at amortised cost (trade and other payables and loans and borrowings).

Subsequent measurement

After initial recognition, interest bearing loans and borrowings and any other long-term payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in ‘’Finance costs’’ in profit or loss.

Trade and other payables with a maturity of 12 months or less are not discounted.

De-recognition

A financial liability is de-recognised 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 a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.11 Inventories

Inventories, which include food, beverages and other supplies, are stated at the lower of cost or net realisable value. Cost of inventory is determined on the weighted-average basis and includes expenditures incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense and reported as a component of cost of sales in the statement of comprehensive income in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the same component of the statement of comprehensive income as the consumption of the respective inventory, in the period the write-down or loss occurs.

2.2.12 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits.

For the purpose of the statement cash flows, cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value

2.2.13 Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year. Prepayments to acquire current assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Prepayments to acquire property, plant and equipment are classified as construction in progress. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss.

2.2.14 Equity

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

The Company recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Romania, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.15 Royalties

Royalties in connection to franchise rights are recognised as an expense as restaurants revenue is earned.

2.2.16 Provisions

General

Provisions are recognised when the Company 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. Where the Company 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 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.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

2.2.17 Employee benefits

The Company, in the normal course of business, makes payments on behalf of its employees for pensions (defined contribution plans), health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances, travel expenses and holiday allowances are also calculated according to the local legislation.

The cost of these payments is charged to the statement of comprehensive income in the same period as the related salary cost. Accruals are created for holiday allowances if there are non-used holidays according the local legislation.

The Company does not operate any other pension scheme or post-retirement benefits plan and consequently, has no obligation in respect of pensions.

2.2.18 Discontinued operations

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 comprehensive income, for the period in which the operations are discontinued as well as in the comparative periods presented. No changes are made to the statement of financial position or statement of cash flows. Additional disclosures are provided in Note 23.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Judgements

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

Classification of lease agreements

A lease is classified as a finance lease if it transfers to the Company substantially all the risks and rewards incidental to ownership, otherwise it is classified as an operating lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. If the lease term is longer than 75 percent of the economic life of the asset, or if at the inception of the lease the present value of the minimum lease payments amounts to at least 90 percent of the fair value of the leased asset, the lease is classified by the Company as finance lease, unless it is clearly demonstrated otherwise.

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 Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Useful lives of property and equipment

The Company assesses the remaining useful lives of items of property and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These estimates may have a material impact on the amount of the carrying values of property and equipment and on depreciation recognised in profit or loss.

In particular, the Company assesses for its operating leases, that generally have an initial term of 5 years with renewal option for another 5 years, that the leasehold improvements' useful life is of 10 years due to the fact that historically most of such leases have been renewed after the initial term of 5 years, that the refurbishment needed after the first 5 years is of significantly less value compared to the initial set-up, and that 10 years is also the duration of the related franchise.

4. CHANGES IN ACCOUNTING POLICIES

4.1 CHANGES IN ACCOUNTING POLICIES FROM 1 JANUARY 2017

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2017:

IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)
The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. These amendments have not yet been endorsed by the EU. Management has not made use of this amendment.

IAS 7: Disclosure Initiative (Amendments)
The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. These Amendments have not yet been endorsed by the EU. Management has not made use of this amendment.

The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The following annual improvement has not yet been endorsed by the EU. This improvement did not have an effect on the Company's financial statements.

- ***IFRS 12 Disclosure of Interests in Other Entities:*** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

4.2 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR BEGINNING 1 JANUARY 2017 AND NOT EARLY ADOPTED

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement
The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has assessed that the application of this standard will not have any significant impact on the presentation and financial position or performance of the Company.

4. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 15 Revenue from Contracts with Customers
The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the Company's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management has assessed that the application of this standard will not have any significant impact on the financial position or performance of the Company.

IFRS 15: Revenue from Contracts with Customers (Clarifications)
The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. These Clarifications have not yet been endorsed by the EU. Management has assessed that the application of this standard (including the clarifications) will not have any significant impact on the financial position or performance of the Company

IFRS 16: Leases
The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU.
The Company is currently assessing the impact of the standard on its financial statements. Taking into consideration the significant number and value of signed lease agreements, the Company expects a significant impact following the adoption of the standard on its statement of financial position, and a less significant impact on its statement of comprehensive income.

IFRS 17: Insurance Contracts
The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. Management has assessed that the application of this standard will not have any impact on the financial position or performance of the Company.

4. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Company.

IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. These Amendments have not yet been endorsed by the EU. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Company.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration
The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the Company recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the Company must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. Management has assessed that the application of these amendments will not have any impact on the financial position or performance of the Company, as it already followed an approach aligned with these requirements.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. The below amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. Management has assessed that the application of these improvements will not have any impact on the financial position or performance of the Company.

- ***IFRS 1 First-time Adoption of International Financial Reporting Standards*****:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments
The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. Management has assessed that the application of this interpretation will not have any impact on the financial position or performance of the Company.

All amounts in RON thousand, unless specified otherwise

4. CHANGES IN ACCOUNTING POLICIES (continued)

IAS 40: Transfers to Investment Property (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. Management has assessed that the application of this amendment will not have any impact on the financial position or performance of the Company.

5. OTHER OPERATING EXPENSES, NET

	Six months ended	
	30 June 2017	30 June 2016
Third-party services	1,617	1,117
Utilities	2,218	2,088
Maintenance and repairs	454	606
Transport	232	242
Small-wares	443	672
Cleaning supplies	310	254
Insurance	123	67
Telephone and postage	40	38
Net (gain)/ loss on disposal of property, plant and equipment	(4)	6
Change in allowance for current assets, net	(63)	-
Miscellaneous expenses/(income), net	16	144
Total	**5,386**	**5,234**

6. GENERAL AND ADMINISTRATION EXPENSES, NET

	Six months ended	
	30 June 2017	30 June 2016
Payroll and employee benefits	3,204	2,158
Third-party services	1,741	1,243
Transport	359	259
Rent	133	159
Banking charges	182	262
Small-wares	20	237
Maintenance and repairs	51	18
Depreciation and amortization	67	92
Telephone and postage	59	59
Insurance	25	16
Miscellaneous income, net	(109)	(165)
Total	**5,732**	**4,338**

All amounts in RON thousand, unless specified otherwise

7. DISCLOSURE OF TOTAL PAYROLL AND EMPLOYEE BENEFITS EXPENSE AND TOTAL DEPRECIATION AND AMORTIZATION EXPENSE

7.1 Payroll and employee benefits

	Six months ended	
	30 June 2017	**30 June 2016**
Payroll and employee benefits recognized in "Restaurant expenses"	13,690	9,608
Payroll and employee benefits recognized in "General and administration expenses, net''	3,204	1,243
Total payroll and employee benefits for continued operations	**16,894**	**10,851**

Additionally, a total of 1,228 refers to payroll and employee benefits relating to discontinued operations for the six months ended 30 June 2016. For more details, please refer to Note 23.

7.2 Depreciation and amortization

	Six months ended	
	30 June 2017	**30 June 2016**
Depreciation and amortization recognized in "Restaurant expenses"	1,749	1,116
Depreciation and amortization recognized in "General and administration expenses, net"	67	92
Total depreciation and amortization for continued operations	**1,816**	**1,208**

Additionally, a total of 233 refers to depreciation and amortisation relating to discontinued operations for the six months ended 30 June 2016. For more details, please refer to Note 23.

8. FINANCE COSTS AND INCOME

8.1 Finance costs

	Six months ended	
	30 June 2017	**30 June 2016**
Interest on loans and borrowings	152	76
Finance charges payable under finance leases	5	5
Foreign exchange loss, net	30	-
Total	**187**	**81**

8.2 Finance income

	Six months ended	
	30 June 2017	**30 June 2016**
Interest income	6	15
Foreign exchange gain, net	-	78
Total	**6**	**93**

All amounts in RON thousand, unless specified otherwise

9. INCOME TAX

The major components of income tax expense for the six months ended 30 June 2017 and 30 June 2016 are:

	Six months ended	
	30 June 2017	**30 June 2016**
Current income tax:		
Current income tax charge	772	586
Deferred tax:		
Relating to origination and reversal of temporary differences	-	40
Income tax expense reported in the statement of comprehensive income	**772**	**626**

A reconciliation between tax expense and the product of accounting profit multiplied by Romania's domestic tax rate for the six months ended 30 June 2017 and 30 June 2016 is as follows:

	Six months ended	
	30 June 2017	**30 June 2016**
Accounting profit before tax from continuing operations	1,811	4,388
Profit before tax from a discontinued operation	-	349
Accounting profit before income tax	**1,811**	**4,737**
At statutory income tax rate of 16%	290	758
Other income exempted from tax	-	(5)
Non-deductible expenses for tax purposes	-	52
Effect of changes in the tax legislation and tax rates	493	-
Fiscal credit from sponsorship	(11)	(123)
At the effective income tax rate	**772**	**682**
Income tax attributable to a discontinued operation	-	(56)
Income tax reported in statement of comprehensive income:	**772**	**626**

The changes in tax legislation and tax rates relate to the tax levied on restaurant activity applicable starting with 1 January 2017 for the companies active in the restaurant industry. Specifically, per the updated regulations, the income tax for the restaurant activity has been replaced by a specific tax computed based on a minimum fixed amount multiplied by the impact of three criteria: restaurant area, restaurant location and seasonality (amounting to 625 for 6 months ended 30 June 2017). The taxation of the non-restaurant activities has not suffered changes.

Deferred tax

Deferred tax reconciliation with corresponding items in the statement of financial position and interim statement of comprehensive income is as follows:

	Statement of comprehensive income	
	1 – 30 June 2017	**1 – 30 June 2016**
Property, plant and equipment	-	39
Franchise rights	-	(3)
Operating lease incentives	-	2
Loans and borrowings	-	2
Deferred tax benefit	**-**	**40**

The Company offsets tax assets and 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 tax authority.

All amounts in RON thousand, unless specified otherwise

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold buildings and leasehold improvements	Plant and machinery	Other equipment	Construction in progress	Total
Cost					
At 1 January 2016	**12,571**	**14,851**	**2,115**	**74**	**29,611**
Additions	3,929	3,667	838	4,619	13,053
Transfers to asset held for sale	885	3,135	275	-	4,295
Disposals	525	373	14	3,946	4,858
At 31 December 2016	**15,090**	**15,010**	**2,664**	**747**	**33,511**
Additions	674	766	281	1,686	3,407
Disposals	-	70	6	484	560
At 30 June 2017	**15,764**	**15,706**	**2,939**	**1,949**	**36,358**
Depreciation					
At 1 January 2016	**5,965**	**9,399**	**982**	**-**	**16,346**
Depreciation charge for the year	1,166	1,359	337	-	2,862
Transfers to assets held for sale	617	2,343	174	-	3,134
Disposals	460	291	13	-	764
At 31 December 2016	**6,054**	**8,124**	**1,132**	**-**	**15,310**
Depreciation charge for the period	660	745	204	-	1,609
Disposals	-	66	6	-	72
At 30 June 2017	**6,714**	**8,803**	**1,330**	**-**	**16,847**
Net book value					
At 1 January 2016	**6,606**	**5,452**	**1,133**	**74**	**13,265**
At 31 December 2016	**9,036**	**6,886**	**1,532**	**747**	**18,201**
At 30 June 2017	**9,050**	**6,903**	**1,609**	**1,949**	**19,511**

The Company has several finance lease contracts for motor vehicles. The carrying value of the leased assets as of 30 June, 2017 is of 337 (31 December 2016: 329). The assets acquired under finance lease are pledged in favour of the leasing company.

As of 30 June 2017 the gross book value of fully depreciated property, plant and equipment that were still in use is of 7,771 (31 December 2016: 8,069).

The Company has pledged non-current assets (mostly equipment) in favour of Alpha Bank for the financing received. The net carrying amount of pledged assets as at 30 June 2017 is of 2,512 (31 December 2016: 3,328).

The additions as at 30 June 2017 and 31 December 2016 consist mainly in new restaurants' leasehold improvements, as well as restaurants' kitchen equipment.

All amounts in RON thousand, unless specified otherwise

11. INTANGIBLE ASSETS

	Franchise rights	Other intangible assets	Intangibles in progress	Total
Cost				
At 1 January 2016	**2,583**	**192**	**45**	**2,820**
Additions	1,009	166	406	1,581
Disposals	-	-	90	90
At 31 December 2016	**3,592**	**358**	**361**	**4,311**
Additions	-	-	47	47
Disposals	-	-	-	-
At 30 June 2017	**3,592**	**358**	**408**	**4,358**
Amortisation				
At 1 January 2016	**1,009**	**62**	**-**	**1,071**
Amortisation	291	32	-	323
At 31 December 2016	**1,300**	**94**	**-**	**1,394**
Amortisation	174	33	-	207
At 30 June 2017	**1,474**	**127**	**-**	**1,601**
Net book value				
At 1 January 2016	**1,574**	**130**	**45**	**1,749**
At 31 December 2016	**2,292**	**264**	**361**	**2,917**
At 30 June 2017	**2,118**	**231**	**408**	**2,757**

Additions during the periods ended 30 June 2017 and 31 December 2016 consisted mainly in franchise operating licenses acquired for newly opened restaurants.

All amounts in RON thousand, unless specified otherwise

12. INTEREST-BEARING LOANS AND BORROWINGS

	Interest rate %	Maturity	30 June 2017	31 December 2016
Current interest-bearing loans and borrowings				
Obligations under finance leases	EURIBOR 3M +4.5%	11.03.2019	101	145
Bank loan	EURIBOR 3M + 2.85-4%	5 years from each withdrawal	4,227	3,790
Total current interest-bearing loans and borrowings			**4,328**	**3,935**
Non-current interest-bearing loans and borrowings				
Obligations under finance leases	EURIBOR 3M +4.5%	11.03.2019	36	91
Bank loan	EURIBOR 3M + 2.85-4%	5 years from each withdrawal	6,914	7,445
Total non-current interest-bearing loans and borrowings			**6,950**	**7,536**
Total interest-bearing loans and borrowings			**11,278**	**11,471**

The Company has a credit facility from Alpha Bank Romania made up of 3 sub-limits, as follows: credit facility for the development of new locations, issuance of bank guarantee letters and credit card. The loan is secured with property, plant and equipment of each restaurant location for which the credit limited has been utilised. The carrying amount of pledged property, plant and equipment and cash and cash equivalents is disclosed in Notes 10 and 16.

Covenants:

The Company's borrowing arrangement with the Bank contains several covenants, mainly of quantitative nature, out of which the most important relates to the level of the service debt (whereby service debt is equal to EBITDA/ [principal plus interest payable]), which should exceed for any month 2.5.

Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of for the six months ended 30 June 2017 and for the year ended 31 December 2016.

13. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company’s principal financial liabilities comprise loans and borrowings, including finance leases and trade and other payables. The main purpose of these financial liabilities is to finance the Company’s operations. The Company’s principal financial assets are represented by trade and other receivables and cash and short-term deposits that derive directly from its operations, as well as long-term deposits to guarantee rent payables.

The Company is exposed to interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Company’s senior management oversees the management of these risks. The Company’s senior management ensures that the Company’s financial risk activities are performed under appropriate procedures and that financial risks are identified, measured and managed in accordance with Company’s risk appetite.

Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Trade and other receivables and payables are non-interest bearing financial assets and liabilities. The borrowings are usually exposed to interest rate risk through market value fluctuations of interest-bearing long-term and short-term credit facilities. Interest rates on the Company's debt finance are variable. The interest rates on credit facilities of the Company are disclosed in Note 12. Changes in interest rates impact primarily loans and borrowings by changing either their future cash flows (variable rate debt). Management policy is to resort mainly to variable rate financing. However, at the time of rising new loans or borrowings management uses its judgment to decide whether it believes that fixed or variable rate would be more favourable to the Company over the expected period until maturity.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on loans and borrowings. With all other variables held constant, the Company’s profit before tax and equity are affected through the impact on floating rate borrowings, as follows:

	Increase in basis points	Effect on profit before tax
30 June 2017 (for six months)		
EUR	1%	(57)
31 December 2016 (for one year)		
EUR	1%	(115)

The Company does not hedge its interest rate risk.

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. An equal decrease of the interest rate would have the same effect but of opposite impact.

All amounts in RON thousand, unless specified otherwise

13. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's financing activities, as the financing contracted by the Company is Euro based. The vast majority of revenues, expenses, trade and other receivables and payables is in RON.

The Company monitors the currency risk by following changes in exchange rates in currencies in which its intercompany balances and external debts are denominated. The Company does not have formal arrangements to mitigate its currency risk.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the EUR exchange rate. The Company's exposure to foreign currency changes for all other currencies is not material. With all other variables held constant the Company's profit before tax and equity are affected as follows:

	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
30 June 2017 (for six months)	1%	(58)	(58)
31 December 2016 (for one year)	1%	(116)	(116)

Credit risk

The Company is not significantly exposed to credit risk as the majority of its sales are on a cash basis. The Company's credit risk is primarily attributed to trade and other receivables and balances with banks. The carrying amount of trade and other receivables, net of allowance for impairment (Note 15) and deposits for rent guarantee as per statement of financial position plus balances with banks (Note 16) represent the maximum amount exposed to credit risk. Management believes that there is no significant risk of loss to the Company beyond the allowance already recorded.

The Company invests cash and cash equivalents with highly reliable financial institutions. The Company has only plain vanilla deposits with reputable banks, none of which has experienced any difficulties in 2017 or up to the date of these interim standalone financial statements. The majority of cash is transacted through and placed with Alpha Bank Romania, member of Alpha Bank Group from Greece and Banca Romana de Dezvoltare (BRD), a member of Societe Generale Group from France. The long-term credit rating of Alpha Bank Greece is Caa3 as provided by Moody's rating agency, no credit rating being available for its Romanian subsidiary. The long-term credit rating of BRD provided by Moody's is Baa3.

There is no significant concentration of credit risk in respect of trade and other receivables due to the fact that sales are based mainly on cash and credit card payments. Therefore there are no formal policies in the Company to manage credit risk for trade receivables. The Company's credit risk is primarily attributed to loans and receivables from related parties, for which the probability of losses is considered remote.

All amounts in RON thousand, unless specified otherwise

13. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Liquidity risk

The Company has adopted a prudent financial liquidity management approach, assuming that sufficient cash and cash equivalents are maintained and that further financing is available from guaranteed funds from credit lines. The tables below summarizes the maturity profile of the Company's financial liabilities, including principal amounts and interests according to contractual terms, at 30 June 2017 and 31 December 2016 based on contractual undiscounted payments.

30 June 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	9	1,127	3,481	7,151	11,768
Trade and other payables	1,629	4,445	3,380	301	9,755
Total	**1,638**	**5,572**	**6,861**	**7,452**	**21,523**

31 December 2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Interest-bearing loans and borrowings	10	1,064	3,136	7,793	12,003
Trade and other payables	1,133	10,544	21	329	12,027
Total	**1,143**	**11,608**	**3,157**	**8,122**	**24,030**

At 30 June 2017, the Company had available undrawn committed borrowing facilities in amount of 36,616 (31 December 2016: 49,693), thus being able to respond to any unforeseen higher cash outflow needs. The credit facilities above are available to both the Company and US Food Network SA (a related party, see Note 22) for drawing, without a limit between them.

Capital management

Capital includes the equity attributable to the equity holders.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company may monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company does not have a target gearing ratio. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash deposits.

	30 June 2017	31 December 2016
Interest-bearing loans and borrowings	11,278	11,471
Trade and other payables	9,755	12,027
Less: cash and short-term deposits	2,320	3,294
Net debt	**18,713**	**20,204**
Equity	3,651	5,980
Capital and net debt	**22,364**	**26,185**
Gearing ratio	84%	77%

All amounts in RON thousand, unless specified otherwise

13. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

The Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. For the covenants in force as at 30 June 2017 and 31 December 2016, please refer to Note 12.

No changes were made in the objectives, policies or processes for managing capital during the six months ended 30 June 2017 and for the year ended 31 December 2016.

Fair values

The Company has no financial instruments carried at fair value in the statement of financial position.

The carrying amount of the interest bearing loans and borrowings approximate their fair value. Management estimates that the margin applicable over Euribor at the balance sheet date would be similar to the ones at the dates of each previous withdrawal, due to the fact that the Company maintained over the past years a stable financial condition, and also based on the statistics published by the National Bank of Romania.

Financial instruments which are not carried at fair value on the statement of financial position also include deposits to guarantee rent, trade and other receivables, cash and cash equivalents, and trade and other payables. The carrying amounts of these financial instruments are considered to approximate their fair values, due to their short term nature (in majority) and low transaction costs of these instruments.

14. INVENTORIES

	30 June 2017	31 December 2016
Raw materials	526	522
Consumables	507	410
Finished goods	173	179
Total	**1,206**	**1,111**

For the six months ended 30 June 2017, inventories amounting to 15,603 (30 June 2016: 13,769) were recognised as an expense in profit or loss, in ''Food and materials'' as well as in ''General and administrative expenses, net'' ("Small-wares" and "Cleaning supplies").

15. TRADE AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
Trade receivables, net	77	4,429
Trade receivables from related parties	1,048	1,032
Tax receivables	224	354
Meal tickets	245	245
Other debtors	204	29
Total	**1,798**	**6,089**
Less non-current portion:		
Trade receivables from related parties	285	-
Current portion	**1,513**	**6,089**

All amounts in RON thousand, unless specified otherwise

15. TRADE AND OTHER RECEIVABLES (continued)

Terms and conditions relating to related party transactions are described in Note 22.

Trade receivables are non-interest bearing and are generally on terms of 30-90 days.

As at 30 June 2017 and 31 December 2016, trade and other receivables with a value of 8 were impaired and fully provided for.

	Total
At 1 January 2016	**8**
At 31 December 2016	**8**
At 30 June 2017	**8**

As at 30 June 2017 and 31 December 2016, the ageing analysis of trade receivables and trade receivables from related parties, net of allowances is, as follows:

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**< 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**> 120 days**
30 June 2017	1,125	1,103	7	5	-	2	8
31 December 2016	5,461	174	2,455	1,811	45	21	955

16. CASH AND SHORT-TERM DEPOSITS

	30 June 2017	31 December 2016
Cash at banks and on hand	2,208	3,149
Cash in transit	112	145
Total	**2,320**	**3,294**

Deposits at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company.

As part of the financing agreement with Alpha Bank the Company has pledged the cash available in the accounts opened with the bank. The balance of the pledged bank accounts as at 30 June 2017 is of 741 (31 December 2016: 1,589)

17. ISSUED CAPITAL

	30 June 2017	31 December 2016
Authorised shares		
Ordinary shares of 0.25 RON each	380,000	380,000
Share capital (RON, thousand)	95	95
Hyperinflation (RON, thousand)	1,549	1,549

The Company's shareholders at 30 June 2017 are Sphera Franchise Group SA (99.9997%) and Lunic Franchising and Consulting Ltd. (0.0003%)

The Company's shareholders at 31 December 2016 are Lunic Franchising and Consulting Ltd. (22.34%), Tatika Investments (27.33%), M.B.L. Computers (23%), Wellkept Group SA (16.34%) and Anasa Properties SRL (10.99%).

18. DISTRIBUTIONS MADE AND PROPOSED

	Six months ended 30 June 2017	2016
Declared and paid during the six months period/year	3,368	6,030
Total dividends for the six months period/year	**3,368**	**6,030**
Dividends per share (RON/share)	9	16

19. TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
Trade payables	5,891	6,896
Other payables to related parties	3,418	4,695
Salary liability	2,658	2,654
Social contribution liability	843	652
Other employee related liabilities	350	258
Other taxes	684	139
Other payables	446	436
Total	**14,290**	**15,730**
Less: non-current portion of other payables	323	329
Trade and other payables, current	**13,967**	**15,401**

Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 30-day terms
- Terms and conditions relating related party transactions are described in Note 22.

All amounts in RON thousand, unless specified otherwise

19. TRADE AND OTHER PAYABLES (continued)

The other current and non-current payables are summarized below:

	30 June 2017	31 December 2016
Lease incentives (current and non-current)	384	358
Free of charge fit-outs (current and non-current)	48	58
Other payables (current)	14	20
Total	**446**	**436**

The lease incentive amounts relate to accruals recorded by the Company in order to allocate the lease incentives provided by landlords over the contractual period on a straight line basis. The free of charge fit-outs are represented by free of charge fit-out works/cash incentives received from landlords. The Company has recognized the amounts received in other payables and releases it to profit and loss over the contractual period.

20. EBITDA

		Six months ended	
	Note	**30 June 2017**	**30 June 2016**
Operating profit from continuing operations		**1,992**	**4,376**
Adjustments to bridge operating profit to EBITDA:			
Depreciation and amortization included in restaurant expenses	Note 7	1,749	1,116
Depreciation and amortization included in general and administration expenses	Note 7	67	92
EBITDA from continuing operations		**3,808**	**5,584**
Profit from discontinued operations		**-**	**349**
Adjustments to bridge profit to EBITDA:			
Depreciation and amortization expenses	Note 23	-	233
EBITDA from discontinued operations		**-**	**582**
Total profit		-	4,725
Total adjustments for depreciation and amortization		-	1,441
Total EBITDA:		**3,808**	**6,166**

EBITDA is one of the key performance measures monitored by senior management. EBITDA would be normalized to exclude any significant one-off items (either revenues or expenses) but no such exclusions were necessary for the six months periods ended 30 June 2017 and 30 June 2016.

All amounts in RON thousand, unless specified otherwise

21. COMMITMENTS AND CONTINGENCIES

Operating lease commitments — Company as lessee

The Company has entered into operating lease agreements for the premises of most of its restaurants. The lease terms are between five and ten years.

Future minimum rentals payable under non-cancellable operating leases are, as follows:

	30 June 2017	31 December 2016
Within one year	8,150	8,056
After one year but not more than five years	18,312	18,521
More than five years	1,095	1,378
Total:	**27,557**	**27,955**

Finance lease

The Company has finance leases for vehicles. The Company's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

	30 June 2017		31 December 2016	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	105	102	162	155
After one year but not more than five years	37	1	83	81
More than five years				
Total minimum lease payments	**142**	**103**	**245**	**236**
Less amounts representing finance charges	5		9	
Present value of minimum lease payments	**137**	**103**	**236**	**236**

Bank letter of guarantee

The Company has issued bank letters of guarantee in favour of suppliers as at 30 June 2017 in amount of 2,259 (31 December 2016: 2,228).

Other commitments

Per the Romania network development plan, the Company has agreed with Pizza Hut Europe (Master Franchisor) to open a minimum of 9 pizza delivery locations during the years 2017- 2018 (4 locations in 2017 and 5 locations in 2018). Should the Company fail to achieve these targets (up until 1 year from notification received from Pizza Hut Europe), the Master Franchisor will be free to grant any other party the right to develop the outlets in breach.

All amounts in RON thousand, unless specified otherwise

22. RELATED PARTY DISCLOSURES

During the periods ended 30 June 2016 and 30 June 2017, the Company has carried out transactions with the following related parties:

Related party	Nature of the relationship	Country of incorporation	Nature of transactions
Sphera Franchise Group SA	Parent company	Romania	Purchase of services
Cinnamon Bake&Roll SRL	Entity with several common members of key management personnel	Romania	Sale of goods
US Food Network SA	Entity with several common members of key management personnel	Romania	Sale of goods
Moulin D'Or SRL	Entity with several common members of key management personnel	Romania	Sale of goods
ICS US Food Network SRL	Entity with several common members of key management personnel	Moldova	Sale of goods

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Related party	**30 June 2017**				
Cinnamon Bake&Roll SRL		7	-	747	-
US Food Network SA		257	81	238	3,417
US Food SRL		23	-	8	-
Sphera Franchise Group SA		-	-	50	-
Moulin D'Or SRL		1	2	5	1
Total		**288**	**83**	**1,048**	**3,418**
	30 June 2016 and 31 December 2016				
Cinnamon Bake&Roll SRL		84	545	978	-
US Food Network SA		45,879	321	46	4,694
US Food SRL		967	-	4	-
Moulin D'Or SRL		56	10	4	1
Total		**46,986**	**876**	**1,032**	**4,695**

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the six months period ended 30 June 2017 and for the year 2016, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Company:

	Six months ended	
	30 June 2017	**30 June 2016**
Short-term employee benefits	151	174
Fees paid to management entities	716	451
Total compensation paid to key management personnel	**867**	**625**

The amounts disclosed in the table are the amounts recognised as an expense during each reporting period.

All amounts in RON thousand, unless specified otherwise

23. DISCONTINUED OPERATIONS

Up to the second half of 2016, the Company has acted as a purchase hub for some related entities, such as US Food Network SA (both Romanian and Moldavian operations) or Cinnamon Bake & Roll SRL. All food supplies, beverages or other consumables were purchased by the Company and sold at a mark-up designed to broadly cover any other operating costs directly associated with this line of business. In November 2016, the Company together with US Food Network SA and the other related parties have outsourced this activity to Havi Logistics SA, a third party company specialized in integrated logistics services for the food industry. Accordingly, in these financial statements, this line of business has been classified and disclosed as a discontinued operation.

Following this transfer, the Company has identified equipment relating to this activity with a net carrying amount of 1,161 which would no longer be used for other purposes. As a result, the Company has recorded an impairment allowance for this equipment of 966 as of 31 December 2016, in order to reduce it to its recoverable amount.

The results of the purchasing hub line of business for the past periods are presented below:

	Six months ended	
	30 June 2017	**30 June 2016**
Sales of goods	**-**	**47,582**
Direct expenses:		
Food and material	-	41,496
Payroll and employee benefits	-	1,228
Depreciation and amortization	-	233
Other operating expenses, net	-	3,603
Operating profit	**-**	**1,022**
General and administration expenses, net	-	673
Profit before tax	**-**	**349**
Income tax expense:	-	(56)
Profit/(loss) for the period	**-**	**293**

The net cash flows incurred by this line of business were as follows:

	Six months ended	
	30 June 2017	**30 June 2016**
Cash flow from operating activities	-	2,495
Cash flow from investing activities	-	-
Net cash inflow/(outflow)	**-**	**2,495**

24. EVENTS AFTER THE REPORTING PERIOD

After 30 June 2017, the Company opened two new pizza delivery points: PHD Ploiesti and PHD Drumul Taberei.

SPHERA FRANCHISE GROUP SA

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

FOR THE PERIOD FROM 1 JANUARY 2014
TO 31 DECEMBER 2014

CONTENT

Ernst & Young Assurance Services SRL
Cladirea Bucharest Tower Center, et. 21
Bd. Ion Mihalache nr. 15-17, Sector 1
011171 Bucuresti, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

To the Board of Directors of Sphera Franchise Group S.A.

We have completed our assurance engagement to report on the compilation of pro forma consolidated financial information of **Sphera Franchise Group S.A. ("Sphera")** and its subsidiaries (together "the Group") by management. The pro forma consolidated financial information consists of the pro forma consolidated statement of comprehensive income for the period from 1 January 2014 to 31 December 2014 and related explanatory notes. The applicable criteria on the basis of which management has compiled the pro forma consolidated financial information are specified in the European Commission Regulation (EC) No. 809/2004 and the basis of compilation is described in Note 3 to the pro forma consolidated financial information.

The pro forma consolidated financial information has been compiled by management of Sphera Franchise Group S.A. to illustrate the consolidated operational performance of the Group for the twelve months period ended 31 December 2014, as if the set-up of Sphera completed on 16 May 2017 and the contribution of US Food Network S.A. shares and American Restaurant Systems S.A. shares to Sphera completed on 30 May 2017, as described in Note 1, took place on 1 January 2014. As part of this process, information about the Group's financial performance has been extracted by management from US Food Network S.A. consolidated financial statements that comprise the statement of comprehensive income for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, on which we issued an audit report on 9 August 2017 and from the American Restaurant Systems S.A. financial statements that comprise the statement of comprehensive income for the years ended 31 December 2016, 31 December 2015 and 31 December 2014 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, on which we issued an audit report on 9 August 2017.

Management's responsibility for the Pro Forma Financial Information

Management is responsible for compiling the pro forma consolidated financial information on the basis of the requirements of the European Commission Regulation (EC) No. 809/2004 and criteria described in Note 3 to the pro forma consolidated financial information.

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 , which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The firm applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements.

Auditor's responsibility

Our responsibility is to express an opinion, as required by item 7 of Annex II of the European Commission Regulation (EC) No. 809/2004, about whether the pro forma consolidated financial information has been compiled, in all material respects, by management on the basis of compilation described in Note 3 to the pro forma consolidated financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the auditors comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the pro forma financial information on the basis of compilation described in Note 3 to the pro forma consolidated financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome if the set-up of Sphera and the contribution of US Food Network S.A. shares and American Restaurant Systems S.A. shares to Sphera took place on 1 January 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by management in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion, (a) the pro forma consolidated financial information has been properly compiled on the basis stated; and (b) that basis is consistent with the accounting policies of **Sphera Franchise Group S.A.**

Other matter

This report is issued for the sole purpose of the public offering in Romania and the admission of the existing and new common shares to the regulated market operated by the Bucharest Stock Exchange. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the public offering described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the offer to the public of the existing and new common shares on the regulated market operated by the Bucharest Stock Exchange.

On behalf of

Ernst & Young Assurance Services SRL

Alina Dimitriu

Executive Director

Bucharest, Romania

14 September 2017

SPHERA FRANCHISE GROUP SA
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014
All amounts in RON thousand, unless specified otherwise

	Note	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
		(a)	(b)	(c)	(d)	(e)	(f) = (a)+(b)+(c)+(d)+(e)
Restaurant sales		261,782	63,130	62,412	(62,412)	-	324,912
Restaurant expenses							
Food and material expenses		98,405	16,881	60,847	(60,847)	-	115,286
Payroll and employee benefits	6.1	40,400	12,001	-	-	-	52,401
Rent		20,366	6,081	-	-	-	26,447
Royalties		15,406	3,697	-	-	-	19,103
Advertising		13,187	3,590	-	-	-	16,777
Other operating expenses, net	4	19,350	7,514	1,601	(1,601)	-	26,864
Depreciation and amortization	6.2	8,238	2,188	-	-	395	10,821
Restaurant operating profit		**46,430**	**11,178**	**(36)**	**36**	**(395)**	**57,213**
General and administration expenses, net	5	15,299	6,094	(66)	66	26	21,419
Operating profit		**31,131**	**5,084**	**30**	**(30)**	**(421)**	**35,794**
Finance costs	7.1	978	309	-	-	-	1,287
Finance income	7.2	240	7	-	-	-	247
Profit before tax		**30,393**	**4,782**	**30**	**(30)**	**(421)**	**34,754**
Income tax expense		4,528	667	5	(5)	-	5,195
Profit for the year from continuing operations		**25,865**	**4,115**	**25**	**(25)**	**(421)**	**29,559**
Discontinued operations							
Loss after tax from discontinued operations	8	-	(595)	(25)	-	-	(620)
Profit for the year		**25,865**	**3,520**	**-**	**(25)**	**(421)**	**28,930**
Attributable to:							
Equity holders of Sphera		25,716	3,520	-	(25)	(421)	28,790
Non-controlling interests		149	-	-	-	-	149

SPHERA FRANCHISE GROUP SA
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2014 TO 31 DECEMBER 2014
All amounts in RON thousand, unless specified otherwise

	Note	**USFN Group** (a)	**ARS** (b)	**Reclassification discontinued operations** (Note 3.1) (c)	**Intercompany elimination** (Note 3.2) (d)	**PPA effect** (Note 3.3) (e)	**Pro forma** (f) = (a)+(b)+(c)+(d)+(e)
Other comprehensive income							
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):							
Exchange differences on translation of foreign operations		(10)	-	-	-	-	(10)
Total comprehensive income for the year, net of tax		**25,855**	**3,520**	**-**	**(25)**	**(421)**	**28,929**
Attributable to:							
Equity holders of Sphera		25,708	3,520	-	(25)	(421)	28,782
Non-controlling interests		147	-	-	-	-	147

Earnings per share, basic and diluted (RON/share) (Note 11) 0.7580

This pro forma consolidated financial information has been authorised by the Board of Directors for issue on 29 August 2017.

Mark Hilton
General Manager Sphera Franchise Group SA

1. Introduction

Sphera Franchise Group SA ("Sphera"), together with its subsidiaries: US Food Network SA ("USFN"), US Food Network SRL Italy ("USFN Italy"), US Food Network SRL Moldova ("USFN Moldova") (USFN together with USFN Italy and USFN Moldova being the "USFN Group"), California Fresh Flavors SRL (Taco Bell) and American Restaurant System SA ("ARS") form "the Group".

Sphera was set up on 16 May 2017 by the shareholders of USFN and ARS. The purpose of the reorganization that resulted in the establishment of Sphera as the legal parent of USFN, ARS, USFN Italy, USFN Moldova and Taco Bell was to ensure a better coordination of activities and enhance value creation, by taking advantage of the synergies at group level and by achieving economies of scale. In terms of activities, Sphera will take over gradually until the end of September 2017 certain activities as well as 105 employees from USFN and ARS and will render to the benefit of the Group entities services such as management services, marketing support, development, sales support, human resources and other services.

Sphera has become the parent of both USFN and ARS on 30 May 2017, following the contribution by the existing shareholders of their shares in USFN (379,999 shares out of total 380,000 shares) and ARS (379,999 shares out of total 380,000 shares) in exchange for shares in Sphera. By applying the criteria set in IFRS 3, the transaction qualified as a business combination and USFN has been identified as the acquirer of Sphera and ARS.

On 8 June 2017 USFN has sold all the 100% shares it held in its subsidiary USFN Italy to Sphera and on 14 June 2017 USFN has sold all the 80% shares it held in its subsidiary USFN Moldova to Sphera. These transactions had no effect on the consolidated financial statements of SFG, as there was no change of control, nor of the percentage owned by Sphera shareholders.

On 19 June 2017 Sphera has set up a new subsidiary, California Fresh Flavors SRL ("Taco Bell"), and holds 9,999 shares of its 10,000 shares. The new subsidiary had no activity up to 30 June 2017.

This pro forma consolidated financial information has been authorised by the Board of Directors for issue on 29 August 2017.

2. Purpose of pro forma consolidated financial information

This pro forma consolidated financial information was prepared to illustrate the consolidated operational performance of the Group for the twelve months period ended 31 December 2014, as if the set-up of Sphera and the contribution of USFN shares and ARS shares to Sphera took place on 1 January 2014. (The sale of the shares in USFN Italy and USFN Moldova by USFN to Sphera, which has no impact on the consolidated financial statements of SFG, as well as the set-up of Taco Bell in 2017 and the start of commercial activity of USFN Italy in 2017 are not adjusted for in the pro forma consolidated financial information).

USFN and ARS had identical shareholder structure and also their key management personnel was in majority the same since 2012. Therefore, although from an IFRS perspective the criteria are not met in order to qualify as “under common control” (since none of the shareholders had control or common control), the presentation of the pro forma information is reflective of the manner in which the two business segments (KFC for USFN and Pizza Hut for ARS) were managed together.

The pro forma consolidated statement of comprehensive income describes a hypothetical situation and has been prepared solely for illustrative purposes and do not purport to represent what the actual consolidated results of operations of the Group would have been had the control been gained on the date assumed, nor are they necessarily indicative of future consolidated operational results.

In addition, the statements are based on available information and various assumptions that management believes to be reasonable. The actual results may differ from those reflected in the pro forma consolidated financial information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma consolidated financial information and actual amounts.

The pro forma consolidated financial information only consists of the pro forma consolidated statement of comprehensive income for the twelve month period ended 31 December 2014 and selected notes.

The statement of comprehensive income is based on the statements of comprehensive income for the year ended 31 December 2014 included in the USFN Group consolidated IFRS financial statements (audited) and ARS IFRS financial statements (audited), with pro forma adjustments as described in Note 3. The USFN Group consolidated IFRS financial statements and the ARS IFRS financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) (IFRS).

The applicable criteria on the basis of which management has compiled the pro forma consolidated financial information consisting of the pro forma consolidated statement of comprehensive income for the period from 1 January 2015 to 31 December 2015 and related explanatory notes included in the prospectus are specified in Commission Regulation (EC) No. 809/2004 and supplemented by the provisions of the Financial Supervisory Authority letter dated 11 August 2017.

3. Basis of preparation of the pro forma consolidated financial information

3.1 Pro forma adjustments: reclassification of discontinued operations to profit or loss

Up to the second half of 2016, ARS has acted as a purchase hub for some related entities, mainly the USFN Group. All food supplies, beverages or other consumables were purchased by ARS and sold at a mark-up designed to broadly cover any other operating costs directly associated with this line of business. In November 2016, ARS together with USFN and the other related parties have outsourced this activity to Havi Logistics SA, a third party company specialized in integrated logistics services for the food industry. In the ARS individual financial statements the after tax result from the discontinued supply activity was disclosed separately, as a single profit or loss caption, in line with the IFRS requirements.

In the process of preparation of the pro forma consolidated statement of comprehensive income, the ARS loss for the year from discontinued operations, net of tax was reclassified to the original profit or loss captions (e.g. sales, food and materials, etc.) to the extent that the sales of ARS were made towards the USFN Group (for the year ended 31 December 2014 the discontinued operation had revenues of 63,111of which 62,412 were sales to USFN Group, the remaining amount were sales to other related parties – please refer also to Note 9).

3.2 Pro forma adjustments: elimination of intercompany transactions

In the process of preparation of the pro forma consolidated statement of comprehensive income, amounts as per the USFN Group audited IFRS consolidated financial statements were added to the amounts as per the ARS audited IFRS financial statements, with the transactions carried out during 2014 between the two entities being eliminated.

No synergies or integration costs following the acquisition of USFN Group and ARS by Sphera have been taken into consideration in the preparation of the pro forma consolidated financial information.

3.3 Purchase price allocation adjustments

Adjustments have been made to account for the effect of the purchase price allocation performed as of the date of acquisition of Sphera and ARS by USFN (30 May 2017). Specifically, there are fair value adjustments recorded for the property, plant and equipment of ARS. The adjustment recorded in the pro forma has been computed by applying the fair value adjustments to the property, plant and equipment of ARS (as determined on 31 May 2017) to their net book values on 1 January 2014 or from the date of acquisition in 2014, and by re-computing the depreciation expense for the year 2014 based on the amounts thus adjusted.

3.4 Preparation of the selected notes

With respect to:

- Note 4 Other operating expenses, net
- Note 5 General and administrative expenses, net
- Note 6 Total employee benefits expense and total depreciation and amortization expense
- Note 7 Finance costs and income,
- Note 8 EBITDA
- Note 9 Discontinued operations,

the information presented in these notes is based on amounts derived directly from the similar notes from the audited IFRS consolidated financial statements of USFN Group and, respectively, the audited IFRS financial statements of ARS, adjusted for the applicable pro forma adjustments described above.

All amounts in RON thousand, unless specified otherwise

3. Basis of preparation of the pro forma consolidated financial information (continued)

With respect to Note 10 Segment information:

The amounts related to the statement of comprehensive income were split between corresponding brands based on the same accounting policy as adopted for SFG consolidated financial statements in 2017; all amounts related to KFC brand were derived from USFN Group for 2014 while the amounts related to Pizza Hut brand were derived from ARS for 2014 plus one pizza delivery point from USFN Group.

The revenue from restaurants was split between Romania and Republic of Moldova based on the same accounting policy as adopted for SFG consolidated financial statements in 2017; all amounts related to Republic of Moldova were derived from USFN Moldova entity in 2014 while the amounts for the Romanian entities USFN and ARS are presented as amounts related to Romania. (Sphera has no revenues to be presented).

11 Other operating expenses, net:

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Third-party services	6,193	1,579	5	(5)	-	7,772
Utilities	7,387	3,627	-	-	-	11,014
Maintenance and repairs	2,542	990	602	(602)	-	3,532
Cleaning supplies	1,207	277	1,149	(1,149)	-	1,484
Small-wares	762	262	385	(385)	-	1,024
Transport	898	250	-	-	-	1,148
Telephone and postage	339	67	-	-	-	406
Insurance	159	104	-	-	-	263
Net loss/(gain) on disposal of property, plant and equipment	740	391	-	-	-	1,131
Change in allowance for receivables	165	2	-	-	-	167
Change in provisions	(1,226)	-	-	-	-	(1,226)
Miscellaneous expenses and income, net	184	(35)	(540)	540	-	149
Total	**19,350**	**7,514**	**1,601**	**(1,601)**	-	**26,864**

All amounts in RON thousand, unless specified otherwise

12 General and administrative expenses, net

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Payroll and employee benefits	5,824	2,669		-		8,493
Third-party services	5,629	1,869	-	-		7,498
Rent	1,143	333	-	-		1,476
Depreciation and amortisation	481	151		-	26	658
Transport	541	415	-	-		956
Banking charges	753	292	-	-		1,045
Maintenance and repairs	303	29	-	-		332
Small-wares	56	237	-	-		293
Telephone and postage	167	111	-	-		278
Insurance	149	26	-	-		175
Advertising	42	-	-	-		42
Miscellaneous expenses and income, net	211	(38)	(66)	66		173
Total	**15,299**	**6,094**	**(66)**	**66**	**26**	**21,419**

13 Total payroll and employee benefits expense and total depreciation and amortization expense

6.1 Payroll and employee benefits

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Payroll and employee benefits recognized in "Restaurant expenses"	40,400	12,001	-	-	-	52,401
Payroll and employee benefits recognized in "General and administration expenses, net"	5,824	2,669	-	-	-	8,493
Total payroll and employee benefits	**46,224**	**14,670**	**-**	**-**	**-**	**60,894**

All amounts in RON thousand, unless specified otherwise

6 Total payroll and employee benefits expense and total depreciation and amortization expense (continued)

6.2 Depreciation and amortization

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Depreciation and amortization, recognized in "Restaurant expenses"	8,238	2,188	-	-	395	10,821
Depreciation and amortization, recognized in "General and administration expenses, net"	481	151	-	-	26	658
Total depreciation and amortization	**8,719**	**2,339**	**-**	**-**	**421**	**11,479**

7 Finance costs and income

7.1 Finance costs

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Interest on loans and borrowings	534	90	-	-		624
Finance charges payable under finance leases	21	10	-	-		31
Foreign exchange loss, net	423	209	-	-		632
Total finance costs	**978**	**309**	**-**	**-**		**1,287**

7.2. Finance income

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Interest income	240	7	-	-	-	247
Total finance income	**240**	**7**	**-**	**-**	**-**	**247**

All amounts in RON thousand, unless specified otherwise

8 EBITDA

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Operating profit from continuing operations	31,131	5,084	30	(30)	(421)	35,794
Adjustments to bridge operating profit to EBITDA:						
Depreciation and amortization included in restaurant expenses	8,238	2,188	-	-	395	10,821
Depreciation and amortization included in general and administration expenses	481	151	-	-	26	658
EBITDA from continuing operations	**39,850**	**7,423**	**30**	**(30)**	**-**	**47,273**

EBITDA is one of the key performance measures monitored by senior management. EBITDA would be normalized to exclude any significant one-off items (either revenues or expenses) but no such exclusions were necessary for year ended 31 December 2014.

All amounts in RON thousand, unless specified otherwise

9 Discontinued operations

Up to the second half of 2016, ARS has acted as a purchase hub for some related entities, such as USFN Group or Cinnamon Bake & Roll SRL. All food supplies, beverages or other consumables were purchased by ARS and sold at a mark-up designed to broadly cover any other operating costs directly associated with this line of business. In November 2016, ARS together with USFN Group and the other related parties have outsourced this activity to Havi Logistics SA, a third party company specialized in integrated logistics services for the food industry. Accordingly, in the financial statements of ARS, this line of business has been classified and disclosed as a discontinued operation.
The results of the purchasing hub line of business for 2014 are presented below:

	2014
Sales of goods	**63,111**
Direct expenses:	
Food and material	56,107
Payroll and employee benefits	2,853
Depreciation and amortization	131
Impairment of assets held for sale	-
Other operating expenses, net	2,860
Operating profit	**1,160**
General and administration expenses, net	1,868
Profit before tax	**(708)**
Income tax benefit:	113
Profit/(loss) for the year:	**(595)**

Prior to outsourcing, the supply activity involved 43 employees. Following the outsourcing, a number of 23 employees were redeployed within the Group (14 with ARS and 9 with USFN), while the rest left the Group.

All amounts in RON thousand, unless specified otherwise

10 Segment information

For management purposes, the Group is organised into business units based on the restaurants' brands, which are the operating and reportable segments of the Group, as follows:
- KFC restaurants
- Pizza Hut restaurants.

For the year ended 31 December 2014 the Group also had one more immaterial operating segment, being one Paul restaurant which is managed by USFN, and which was aggregated into the KFC segment.

The Board of Directors monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating profit and is measured consistently with ''Restaurant operating profit'' in the statement of comprehensive income in the audited IFRS consolidated financial statements of USFN Group and, respectively, the audited IFRS financial statements of ARS.

Transfer prices between operating segments are on an arm's length's basis in a manner similar to transactions with third parties.

Year ended 31 December 2014	**KFC**	**Pizza Hut**	**Other**	**Reclassification discontinued operations** (Note 3.1)	**Intercompany elimination** (Note 3.2)	**PPA effect** (Note 3.3) **Pizza Hut**	**Pro forma**
Restaurant sales (Revenues from external customers)	260,692	64,220	-	-	-	-	324,912
Inter-segment revenues	-	-	-	62,412	(62,412)	-	-
Restaurant expenses (Operating expenses)	214,277	53,027	-	62,448	(62,448)	395	267,699
Restaurant profit (Segment operating profit)	**46,415**	**11,193**	**-**	**(36)**	**36**	**(395)**	**57,213**
Finance costs	-	-	1,287	-	-	-	1,287
Finance income	-	-	247	-	-	-	247
Income taxes	-	-	5,195	5	(5)	-	5,195
Net profit from continuing operations	**31,116**	**5,129**	**(6,235)**	**(30)**	**(421)**	**29,559**	**29,559**
Depreciation and amortization	8,544	2,514	-	-	-	421	11,479

10. Segment information (continued)

Geographic information:

Revenue from external customers	USFN group	ARS	Pro forma adjustments	Pro forma
Romania	257,545	63,130	-	**320,675**
Republic of Moldova	4,237	-	-	**4,237**
Total restaurant revenue	**261,782**	**63,130**	**-**	**324,912**

The revenue information above is based on the location of the customers.

11. Earnings per share (EPS)

EPS is calculated by dividing the profit for the year attributable to shareholders of Sphera by the number of ordinary shares issued by Sphera, after the contribution of USFN shares and ARS shares by the existing shareholders.

	2014
Profit from continuing operations attributable to ordinary equity holders of Sphera (RON thousand)	29,410
Number of Sphera shares	38,799,340
Earnings per share, basic and diluted (RON/share)	**0.7580**

There are no dilutive instruments to be considered.

SPHERA FRANCHISE GROUP SA

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

**FOR THE PERIOD FROM 1 JANUARY 2015
TO 31 DECEMBER 2015**

CONTENT

Building a better working world

Ernst & Young Assurance Services SRL
Cladirea Bucharest Tower Center, et. 21
Bd. Ion Mihalache nr. 15-17, Sector 1
011171 Bucuresti, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

To the Board of Directors of Sphera Franchise Group S.A.

We have completed our assurance engagement to report on the compilation of pro forma consolidated financial information of **Sphera Franchise Group S.A. ("Sphera")** and its subsidiaries (together "the Group") by management. The pro forma consolidated financial information consists of the pro forma consolidated statement of comprehensive income for the period from 1 January 2015 to 31 December 2015 and related explanatory notes. The applicable criteria on the basis of which management has compiled the pro forma consolidated financial information are specified in the European Commission Regulation (EC) No. 809/2004 and the basis of compilation is described in Note 3 to the pro forma consolidated financial information.

The pro forma consolidated financial information has been compiled by management of Sphera Franchise Group S.A. to illustrate the consolidated operational performance of the Group for the twelve months period ended 31 December 2015, as if the set-up of Sphera completed on 16 May 2017 and the contribution of US Food Network S.A. shares and American Restaurant Systems S.A. shares to Sphera completed on 30 May 2017, as described in Note 1, took place on 1 January 2015. As part of this process, information about the Group's financial performance has been extracted by management from US Food Network S.A. consolidated financial statements for the year ended 31 December 2016 prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, on which we issued an audit report on 9 August 2017 and from the American Restaurant Systems S.A. financial statements for the year ended 31 December 2016 prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, on which we issued an audit report on 9 August 2017.

Management's responsibility for the Pro Forma Financial Information

Management is responsible for compiling the pro forma consolidated financial information on the basis of the requirements of the European Commission Regulation (EC) No. 809/2004 and criteria described in Note 3 to the pro forma consolidated financial information.

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 , which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The firm applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements.

Auditor's responsibility

Our responsibility is to express an opinion, as required by item 7 of Annex II of the European Commission Regulation (EC) No. 809/2004, about whether the pro forma consolidated financial information has been compiled, in all material respects, by management on the basis of compilation described in Note 3 to the pro forma consolidated financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the auditors comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the pro forma financial information on the basis of compilation described in Note 3 to the pro forma consolidated financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome if the set-up of Sphera and the contribution of US Food Network S.A. shares and American Restaurant Systems S.A. shares to Sphera took place on 1 January 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by management in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion, (a) the pro forma consolidated financial information has been properly compiled on the basis stated; and (b) that basis is consistent with the accounting policies of **Sphera Franchise Group S.A.**

Other matter

This report is issued for the sole purpose of the public offering in Romania and the admission of the existing and new common shares to the regulated market operated by the Bucharest Stock Exchange. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the public offering described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the offer to the public of the existing and new common shares on the regulated market operated by the Bucharest Stock Exchange.

On behalf of

Ernst & Young Assurance Services SRL

Alina Dimitriu

Executive Director

Bucharest, Romania

14 September 2017

SPHERA FRANCHISE GROUP SA
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

All amounts in RON thousand, unless specified otherwise

	Note	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
		(a)	(b)	(c)	(d)	(e)	(f) = (a)+(b)+(c)+(d)+(e)
Restaurant sales		329,963	75,867	80,704	(80,704)	-	405,830
Restaurant expenses							
Food and material expenses		123,141	19,718	78,020	(78,020)	-	142,859
Payroll and employee benefits	6.1	50,513	14,622	-	-	-	65,135
Rent		22,544	6,476	27	(27)	-	29,020
Royalties		19,382	4,448	-	-	-	23,830
Advertising		16,715	4,245	2	(2)	-	20,960
Other operating expenses, net	4	24,565	8,339	2,559	(2,559)	-	32,904
Depreciation and amortization	6.2	7,833	2,114	-	-	479	10,426
Restaurant operating profit		**65,270**	**15,905**	**96**	**(96)**	**(479)**	**80,696**
General and administration expenses, net	5	16,132	7,751	3	(3)	29	23,912
Operating profit		**49,138**	**8,154**	**93**	**(93)**	**(508)**	**56,784**
Finance costs	7.1	531	482	-	-	-	1,013
Finance income	7.2	398	19	-	-	-	417
Profit before tax		**49,005**	**7,691**	**93**	**(93)**	**(508)**	**56,188**
Income tax expense		7,251	1,170	14	(14)	-	8,421
Profit for the year from continuing operations		**41,754**	**6,521**	**79**	**(79)**	**(508)**	**47,767**
Discontinued operations							
Loss after tax from discontinued operations	8	-	(397)	(79)	-	-	(476)
Profit for the year		**41,754**	**6,124**	**-**	**(79)**	**(508)**	**47,291**
Attributable to:							
Equity holders of Sphera		41,597	6,124	-	(79)	(508)	47,134
Non-controlling interests		157	-	-	-	-	157

SPHERA FRANCHISE GROUP SA
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015
All amounts in RON thousand, unless specified otherwise

	Note	USFN Group (a)	ARS (b)	Reclassification discontinued operations (Note 3.1) (c)	Intercompany elimination (Note 3.2) (d)	PPA effect (Note 3.3) (e)	Pro forma (f) = (a)+(b)+(c)+(d)+(e)
Other comprehensive income							
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):							
Exchange differences on translation of foreign operations		(92)	-	-	-	-	(92)
Total comprehensive income for the year, net of tax		**41,662**	**6,124**	**-**	**(79)**	**(508)**	**47,199**
Attributable to:							
Equity holders of Sphera		41,513	6,124	-	(79)	(508)	47,050
Non-controlling interests		149	-	-	-	-	149

Earnings per share, basic and diluted (RON/share) (Note 11) 1.2271

This pro forma consolidated financial information has been authorised by the Board of Directors for issue on 29 August 2017.

Mark Hilton
General Manager Sphera Franchise Group SA

1. Introduction

Sphera Franchise Group SA ("Sphera"), together with its subsidiaries: US Food Network SA ("USFN"), US Food Network SRL Italy ("USFN Italy"), US Food Network SRL Moldova ("USFN Moldova") (USFN together with USFN Italy and USFN Moldova being the "USFN Group"), California Fresh Flavors SRL (Taco Bell) and American Restaurant System SA ("ARS") form "the Group" (or "SFG").

Sphera was set up on 16 May 2017 by the shareholders of USFN and ARS. The purpose of the reorganization that resulted in the establishment of Sphera as the legal parent of USFN, ARS, USFN Italy, USFN Moldova and Taco Bell was to ensure a better coordination of activities and enhance value creation, by taking advantage of the synergies at group level and by achieving economies of scale. In terms of activities, Sphera will take over gradually until the end of September 2017 certain activities as well as 105 employees from USFN and ARS and will render to the benefit of the Group entities services such as management services, marketing support, development, sales support, human resources and other services.

Sphera has become the parent of both USFN and ARS on 30 May 2017, following the contribution by the existing shareholders of their shares in USFN (379,999 shares out of total 380,000 shares) and ARS (379,999 shares out of total 380,000 shares) in exchange for shares in Sphera. By applying the criteria set in IFRS 3, the transaction qualified as a business combination and USFN has been identified as the acquirer of Sphera and ARS.

On 8 June 2017 USFN has sold all the 100% shares it held in its subsidiary USFN Italy to Sphera and on 14 June 2017 USFN has sold all the 80% shares it held in its subsidiary USFN Moldova to Sphera. These transactions had no effect on the consolidated financial statements of SFG, as there was no change of control, nor of the percentage owned by Sphera shareholders.

On 19 June 2017 Sphera has set up a new subsidiary, California Fresh Flavors SRL ("Taco Bell"), and holds 9,999 shares of its 10,000 shares. The new subsidiary had no activity up to 30 June 2017.

This pro forma consolidated financial information has been authorised by the Board of Directors for issue on 29 August 2017.

2. Purpose of pro forma consolidated financial information

This pro forma consolidated financial information was prepared to illustrate the consolidated operational performance of the Group for the twelve months period ended 31 December 2015, as if the set-up of Sphera and the contribution of USFN shares and ARS shares to Sphera took place on 1 January 2015. (The sale of the shares in USFN Italy and USFN Moldova by USFN to Sphera, which has no impact on the consolidated financial statements of SFG, as well as the set-up of Taco Bell in 2017 and the start of commercial activity of USFN Italy in 2017 are not adjusted for in the pro forma consolidated financial information).

USFN and ARS had identical shareholder structure and also their key management personnel was in majority the same since 2012. Therefore, although from an IFRS perspective the criteria are not met in order to qualify as “under common control” (since none of the shareholders had control or common control), the presentation of the pro forma information is reflective of the manner in which the two business segments (KFC for USFN and Pizza Hut for ARS) were managed together.

The pro forma consolidated statement of comprehensive income describes a hypothetical situation and has been prepared solely for illustrative purposes and do not purport to represent what the actual consolidated results of operations of the Group would have been had the control been gained on the date assumed, nor are they necessarily indicative of future consolidated operational results.

In addition, the statements are based on available information and various assumptions that management believes to be reasonable. The actual results may differ from those reflected in the pro forma consolidated financial information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma consolidated financial information and actual amounts.

The pro forma consolidated financial information only consists of the pro forma consolidated statement of comprehensive income for the twelve month period ended 31 December 2015 and selected notes.

The statement of comprehensive income is based on the statements of comprehensive income for the year ended 31 December 2015 included in the USFN Group consolidated IFRS financial statements (audited) and ARS IFRS financial statements (audited), with pro forma adjustments as described in Note 3. The USFN Group consolidated IFRS financial statements and the ARS IFRS financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) (IFRS).

The applicable criteria on the basis of which management has compiled the pro forma consolidated financial information consisting of the pro forma consolidated statement of comprehensive income for the period from 1 January 2015 to 31 December 2015 and related explanatory notes included in the prospectus are specified in Commission Regulation (EC) No. 809/2004 and supplemented by the provisions of the Financial Supervisory Authority letter dated 11 August 2017.

3. Basis of preparation of the pro forma consolidated financial information

3.1 Pro forma adjustments: reclassification of discontinued operations to profit or loss

Up to the second half of 2016, ARS has acted as a purchase hub for some related entities, mainly the USFN Group. All food supplies, beverages or other consumables were purchased by ARS and sold at a mark-up designed to broadly cover any other operating costs directly associated with this line of business. In November 2016, ARS together with USFN and the other related parties have outsourced this activity to Havi Logistics SA, a third party company specialized in integrated logistics services for the food industry. In the ARS individual financial statements the after tax result from the discontinued supply activity was disclosed separately, as a single profit or loss caption, in line with the IFRS requirements.

In the process of preparation of the pro forma consolidated statement of comprehensive income, the ARS loss for the year from discontinued operations, net of tax was reclassified to the original profit or loss captions (e.g. sales, food and materials, etc.) to the extent that the sales of ARS were made towards the USFN Group (for the year ended 31 December 2015 the discontinued operation had revenues of 81,857 of which 80,704 were sales to USFN Group, the remaining amount were sales to other related parties – please refer also to Note 9).

3.2 Pro forma adjustments: elimination of intercompany transactions

In the process of preparation of the pro forma consolidated statement of comprehensive income, amounts as per the USFN Group audited IFRS consolidated financial statements were added to the amounts as per the ARS audited IFRS financial statements, with the transactions carried out during 2015 between the two entities being eliminated.

No synergies or integration costs following the acquisition of USFN Group and ARS by Sphera have been taken into consideration in the preparation of the pro forma consolidated financial information.

3.3 Purchase price allocation adjustments

Adjustments have been made to account for the effect of the purchase price allocation performed as of the date of acquisition of Sphera and ARS by USFN (30 May 2017). Specifically, there are fair value adjustments recorded for the property, plant and equipment of ARS. The adjustment recorded in the pro forma has been computed by applying the fair value adjustments to the property, plant and equipment of ARS (as determined on 31 May 2017) to their net book values on 1 January 2015 or from the date of acquisition in 2015, and by re-computing the depreciation expense for the year 2015 based on the amounts thus adjusted.

3.4 Preparation of the selected notes

With respect to:

- Note 4 Other operating expenses, net
- Note 5 General and administrative expenses, net
- Note 6 Total employee benefits expense and total depreciation and amortization expense
- Note 7 Finance costs and income,
- Note 8 EBITDA
- Note 9 Discontinued operations,

the information presented in these notes is based on amounts derived directly from the similar notes from the audited IFRS consolidated financial statements of USFN Group and, respectively, the audited IFRS financial statements of ARS, adjusted for the applicable pro forma adjustments described above.

All amounts in RON thousand, unless specified otherwise

3. Basis of preparation of the pro forma consolidated financial information (continued)

With respect to Note 10 Segment information:

The amounts related to the statement of comprehensive income were split between corresponding brands based on the same accounting policy as adopted for SFG consolidated financial statements in 2017; all amounts related to KFC brand were derived from USFN Group for 2015 while the amounts related to Pizza Hut brand were derived from ARS for 2015 plus one pizza delivery point from USFN Group.

The revenue from restaurants was split between Romania and Republic of Moldova based on the same accounting policy as adopted for SFG consolidated financial statements in 2017; all amounts related to Republic of Moldova were derived from USFN Moldova entity in 2015 while the amounts for the Romanian entities USFN and ARS are presented as amounts related to Romania. (Sphera has no revenues to be presented).

4 Other operating expenses, net:

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Third-party services	7,501	1,775	-	-	-	9,276
Utilities	7,893	3,896	-	-	-	11,789
Maintenance and repairs	2,978	790	315	(315)	-	3,768
Cleaning supplies	1,938	361	1,928	(1,928)	-	2,299
Small-wares	1,784	1,217	661	(661)	-	3,001
Transport	1,257	417	-	-	-	1,674
Telephone and postage	354	75	-	-	-	429
Insurance	156	121	-	-	-	277
Net loss/(gain) on disposal of property, plant and equipment	(10)	(56)	-	-	-	(66)
Change in allowance for receivables	12	19	-	-	-	31
Change in provisions	(139)	-	-	-	-	(139)
Miscellaneous expenses and income, net	841	(276)	(345)	345	-	565
Total	**24,565**	**8,339**	**2,559**	**(2,559)**	-	**32,904**

All amounts in RON thousand, unless specified otherwise

5 General and administrative expenses, net

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Employee benefits	6,837	3,438		-		10,275
Third-party services	4,970	2,334	-	-		7,304
Rent	1,244	339	-	-		1,583
Depreciation and amortisation	493	133		-	29	655
Transport	713	464	-	-		1,177
Banking charges	950	430		-		1,380
Maintenance and repairs	264	43	23	(23)		307
Small-wares	192	428	-			620
Telephone and postage	207	133	-			340
Insurance	157	27	-			184
Advertising	47	-		-		47
Miscellaneous expenses and income, net	58	(18)	(20)	20		40
Total	**16,132**	**7,751**	**3**	**(3)**	**29**	**23,912**

6 Total payroll and employee benefits expense and total depreciation and amortization expense

6.1 Payroll and employee benefits

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Payroll and employee benefits recognized in "Restaurant expenses"	50,513	14,622	-	-	-	65,135
Payroll and employee benefits recognized in "General and administration expenses, net"	6,837	3,438	-	-	-	10,275
Total payroll and employee benefits	**57,350**	**18,060**	**-**	**-**	**-**	**75,410**

All amounts in RON thousand, unless specified otherwise

6 Total employee benefits expense and total depreciation and amortization expense (continued)

6.2 Depreciation and amortization

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Depreciation and amortization recognized in "Restaurant expenses"	7,833	2,114	-	-	479	10,426
Depreciation and amortization recognized in "General and administration expenses, net"	493	133	-	-	29	655
Total depreciation and amortization	**8,326**	**2,247**	**-**	**-**	**508**	**11,081**

7 Finance costs and income

7.1 Finance costs

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Interest on loans and borrowings	406	87	-	-		493
Finance charges payable under finance leases	18	10	-	-		28
Foreign exchange loss, net	107	385	-	-		492
Total finance costs	**531**	**482**	**-**	**-**		**1,013**

7.2. Finance income

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Interest income	398	19	-	-	-	417
Total finance income	**398**	**19**	**-**	**-**	**-**	**417**

All amounts in RON thousand, unless specified otherwise

8 EBITDA

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Operating profit from continuing operations	49,138	8,154	93	(93)	(508)	56,784
Adjustments to bridge operating profit to EBITDA:						
Depreciation and amortization included in restaurant expenses	7,833	2,114	-	-	479	10,426
Depreciation and amortization included in general and administration expenses	493	133	-	-	29	655
EBITDA from continuing operations	**57,464**	**10,401**	**93**	**(93)**	**-**	**67,865**

EBITDA is one of the key performance measures monitored by senior management. EBITDA would be normalized to exclude any significant one-off items (either revenues or expenses) but no such exclusions were necessary for year ended 31 December 2015.

All amounts in RON thousand, unless specified otherwise

9 Discontinued operations

Up to the second half of 2016, ARS has acted as a purchase hub for some related entities, such as USFN Group or Cinnamon Bake & Roll SRL. All food supplies, beverages or other consumables were purchased by ARS and sold at a mark-up designed to broadly cover any other operating costs directly associated with this line of business. In November 2016, ARS together with USFN Group and the other related parties have outsourced this activity to Havi Logistics SA, a third party company specialized in integrated logistics services for the food industry. Accordingly, in the financial statements of ARS, this line of business has been classified and disclosed as a discontinued operation.

The results of the purchasing hub line of business for the past year are presented below:

	2015
Sales of goods	**81,857**
Direct expenses:	
Food and material	72,738
Payroll and employee benefits	2,720
Depreciation and amortization	171
Impairment of assets held for sale	-
Other operating expenses, net	5,057
Operating profit	**1,171**
General and administration expenses, net	1,648
Profit before tax	**(477)**
Income tax benefit:	80
Profit/(loss) for the year:	**(397)**

Prior to outsourcing, the supply activity involved 43 employees. Following the outsourcing, a number of 23 employees were redeployed within the the Group (14 with ARS and 9 with USFN), while the rest left the Group.

All amounts in RON thousand, unless specified otherwise

10 Segment information

For management purposes, the Group is organised into business units based on the restaurants' brands, which are the operating and reportable segments of the Group, as follows:

- KFC restaurants
- Pizza Hut restaurants.

For the year ended 31 December 2015 the Group also had one more immaterial operating segment, being one Paul restaurant which is managed by USFN, and which was aggregated into the KFC segment.

The Board of Directors monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating profit and is measured consistently with ''Restaurant operating profit'' in the statement of comprehensive income in the audited IFRS consolidated financial statements of USFN Group and, respectively, the audited IFRS financial statements of ARS.

Transfer prices between operating segments are on an arm's length's basis in a manner similar to transactions with third parties.

Year ended 31 December 2015	**KFC**	**Pizza Hut**	**Other**	**Reclassification discontinued operations** (Note 3.1)	**Intercompany elimination** (Note 3.2)	**PPA effect** (Note 3.3) **Pizza Hut**	**Pro forma**
Restaurant sales (Revenues from external customers)	328,510	77,320	-	-	-	-	405,830
Inter-segment revenues	-	-	-	81,857	(81,857)	-	-
Restaurant expenses (Operating expenses)	263,410	61,245	-	80,608	(80,608)	479	325,134
Restaurant profit (Segment operating profit)	**65,100**	**16,075**	**-**	**1,249**	**(1,249)**	**(479)**	**80,696**
Finance costs	-	-	1,013	-	-	-	1,013
Finance income	-	-	417	-	-	-	417
Income taxes	-	-	8,421	14	(14)	-	8,421
Net profit from continuing operations	**48,968**	**8,416**	**(9,017)**	**-**	**(93)**	**(507)**	**47,767**
Depreciation and amortization	8,169	2,405	-	-	-	507	11,081

10. Segment information (continued)

Geographic information:

Revenue from external customers	USFN group	ARS	Pro forma adjustments	Pro forma
Romania	324,406	75,867	-	**400,273**
Republic of Moldova	5,557	-	-	**5,557**
Total restaurant revenue	**329,963**	**75,867**	**-**	**405,830**

The revenue information above is based on the location of the customers.

11. Earnings per share (EPS)

EPS is calculated by dividing the profit for the year attributable to shareholders of Sphera by the number of ordinary shares issued by Sphera, after the contribution of USFN shares and ARS shares by the existing shareholders.

	2015
Profit from continuing operations attributable to ordinary equity holders of Sphera (RON thousand)	47,610
Number of Sphera shares	38,799,340
Earnings per share, basic and diluted (RON/share)	**1.2271**

There are no dilutive instruments to be considered.

SPHERA FRANCHISE GROUP SA

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

FOR THE PERIOD FROM 1 JANUARY 2016
TO 31 DECEMBER 2016

CONTENT

Building a better working world

Ernst & Young Assurance Services SRL
Cladirea Bucharest Tower Center, et. 21
Bd. Ion Mihalache nr. 15-17, Sector 1
011171 Bucuresti, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

To the Board of Directors of Sphera Franchise Group S.A.

We have completed our assurance engagement to report on the compilation of pro forma consolidated financial information of **Sphera Franchise Group S.A. ("Sphera")** and its subsidiaries (together "the Group") by management. The pro forma consolidated financial information consists of the pro forma consolidated statement of comprehensive income for the period from 1 January 2016 to 31 December 2016 and related explanatory notes. The applicable criteria on the basis of which management has compiled the pro forma consolidated financial information are specified in the European Commission Regulation (EC) No. 809/2004 and the basis of compilation is described in Note 3 to the pro forma consolidated financial information.

The pro forma consolidated financial information has been compiled by management of Sphera Franchise Group S.A. to illustrate the consolidated operational performance of the Group for the twelve months period ended 31 December 2016, as if the set-up of Sphera completed on 16 May 2017 and the contribution of US Food Network S.A. shares and American Restaurant Systems S.A. shares to Sphera completed on 30 May 2017, as described in Note 1, took place on 1 January 2016. As part of this process, information about the Group's financial performance has been extracted by management from US Food Network S.A. consolidated financial statements for the year ended 31 December 2016 prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, on which we issued an audit report on 9 August 2017 and from the American Restaurant Systems S.A. financial statements for the year ended 31 December 2016 prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, on which we issued an audit report on 9 August 2017.

Management's responsibility for the Pro Forma Financial Information

Management is responsible for compiling the pro forma consolidated financial information on the basis of the requirements of the European Commission Regulation (EC) No. 809/2004 and criteria described in Note 3 to the pro forma consolidated financial information.

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 , which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The firm applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements.

Auditor's responsibility

Our responsibility is to express an opinion, as required by item 7 of Annex II of the European Commission Regulation (EC) No. 809/2004, about whether the pro forma consolidated financial information has been compiled, in all material respects, by management on the basis of compilation described in Note 3 to the pro forma consolidated financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the auditors comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the pro forma financial information on the basis of compilation described in Note 3 to the pro forma consolidated financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome if the set-up of Sphera and the contribution of US Food Network S.A. shares and American Restaurant Systems S.A. shares to Sphera took place on 1 January 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by management in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion, (a) the pro forma consolidated financial information has been properly compiled on the basis stated; and (b) that basis is consistent with the accounting policies of **Sphera Franchise Group S.A.**

Other matter

This report is issued for the sole purpose of the public offering in Romania and the admission of the existing and new common shares to the regulated market operated by the Bucharest Stock Exchange. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the public offering described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the offer to the public of the existing and new common shares on the regulated market operated by the Bucharest Stock Exchange.

On behalf of

Ernst & Young Assurance Services SRL

Alina Dimitriu

Executive Director

Bucharest, Romania

14 September 2017

SPHERA FRANCHISE GROUP SA
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016
All amounts in RON thousand, unless specified otherwise

	Note	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
		(a)	(b)	(c)	(d)	(e)	(f) = (a)+(b)+(c)+(d)+(e)
Restaurant sales		417,535	96,940	77,650	(77,650)	-	514,475
Restaurant expenses							
Food and material expenses		157,302	26,107	75,272	(75,272)	-	183,409
Payroll and employee benefits	6.1	69,577	22,383	-	-	-	91,960
Rent		27,498	8,027	13	(13)	-	35,525
Royalties		24,654	5,702	-	-	-	30,356
Advertising		20,736	5,785	17	(17)	-	26,521
Other operating expenses, net	4	30,313	11,659	2,677	(2,677)	-	41,972
Depreciation and amortization	6.2	9,234	2,666	-	-	561	12,461
Restaurant operating profit		**78,221**	**14,611**	**(329)**	**329**	**(561)**	**92,271**
General and administration expenses, net	5	22,975	8,982	(9)	9	31	31,988
Operating profit		**55,246**	**5,629**	**(320)**	**320**	**(592)**	**60,283**
Finance costs	7.1	825	213	-	(109)	-	929
Finance income	7.2	95	127	-	(109)	-	113
Profit before tax		**54,516**	**5,543**	**(320)**	**320**	**(592)**	**59,467**
Income tax expense		5,783	361	(50)	50	-	6,144
Profit for the year from continuing operations		**48,733**	**5,182**	**(270)**	**270**	**(592)**	**53,323**
Discontinued operations							
Loss after tax from discontinued operations	8	-	(1,953)	270	-	-	(1,683)
Profit for the year		**48,733**	**3,229**	**-**	**270**	**(592)**	**51,640**
Attributable to:							
Equity holders of Sphera		48,693	3,229	-	270	(592)	51,600
Non-controlling interests		40	-	-	-	-	40

SPHERA FRANCHISE GROUP SA
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

All amounts in RON thousand, unless specified otherwise

	Note	USFN Group (a)	ARS (b)	Reclassification discontinued operations (Note 3.1) (c)	Intercompany elimination (Note 3.2) (d)	PPA effect (Note 3.3) (e)	Pro forma (f) = (a)+(b)+(c)+(d)+(e)
Other comprehensive income							
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):							
Exchange differences on translation of foreign operations		83	-	-	-	-	83
Total comprehensive income for the year, net of tax		**48,816**	**3,229**	**-**	**270**	**(592)**	**51,723**
Attributable to:							
Equity holders of Sphera		48,774	3,229	-	270	(592)	51,681
Non-controlling interests		42	-	-	-	-	42

Earnings per share, basic and diluted (RON/share) (Note 11) 1.3733

This pro forma consolidated financial information has been authorised by the Board of Directors for issue on 29 August 2017.

Mark Hilton
General Manager Sphera Franchise Group SA

1. Introduction

Sphera Franchise Group SA ("Sphera"), together with its subsidiaries: US Food Network SA ("USFN"), US Food Network SRL Italy ("USFN Italy"), US Food Network SRL Moldova ("USFN Moldova") (USFN together with USFN Italy and USFN Moldova being the "USFN Group"), California Fresh Flavors SRL (Taco Bell) and American Restaurants System SA ("ARS") form "the Group" (or "SFG").

Sphera was set up on 16 May 2017 by the shareholders of USFN and ARS. The purpose of the reorganization that resulted in the establishment of Sphera as the legal parent of USFN, ARS, USFN Italy, USFN Moldova and Taco Bell was to ensure a better coordination of activities and enhance value creation, by taking advantage of the synergies at group level and by achieving economies of scale. In terms of activities, Sphera will take over gradually until the end of September 2017 certain activities as well as 105 employees from USFN and ARS and will render to the benefit of the Group entities services such as management services, marketing support, development, sales support, human resources and other services.

Sphera has become the parent of both USFN and ARS on 30 May 2017, following the contribution by the existing shareholders of their shares in USFN (379,999 shares out of total 380,000 shares) and ARS (379,999 shares out of total 380,000 shares) in exchange for shares in Sphera. By applying the criteria set in IFRS 3, the transaction qualified as a business combination and USFN has been identified as the acquirer of Sphera and ARS.

On 8 June 2017 USFN has sold all the 100% shares it held in its subsidiary USFN Italy to Sphera and on 14 June 2017 USFN has sold all the 80% shares it held in its subsidiary USFN Moldova to Sphera. These transactions had no effect on the consolidated financial statements of SFG, as there was no change of control, nor of the percentage owned by Sphera shareholders.

On 19 June 2017 Sphera has set up a new subsidiary, California Fresh Flavors SRL ("Taco Bell"), and holds 9,999 shares of its 10,000 shares. The new subsidiary had no activity up to 30 June 2017.

This pro forma consolidated financial information has been authorised by the Board of Directors for issue on 29 August 2017.

2. Purpose of pro forma consolidated financial information

This pro forma consolidated financial information was prepared to illustrate the consolidated operational performance of the Group for the twelve months period ended 31 December 2016, as if the set-up of Sphera and the contribution of USFN shares and ARS shares to Sphera took place on 1 January 2016. (The sale of the shares in USFN Italy and USFN Moldova by USFN to Sphera, which has no impact on the consolidated financial statements of SFG, as well as the set-up of Taco Bell are not adjusted for in the pro forma consolidated financial information).

USFN and ARS had identical shareholder structure and also their key management personnel was in majority the same since 2012. Therefore, although from an IFRS perspective the criteria are not met in order to qualify as “under common control” (since none of the shareholders had control or common control), the presentation of the pro forma information is reflective of the manner in which the two business segments (KFC for USFN and Pizza Hut for ARS) were managed together.

The pro forma consolidated statement of comprehensive income describes a hypothetical situation and has been prepared solely for illustrative purposes and do not purport to represent what the actual consolidated results of operations of the Group would have been had the control been gained on the date assumed, nor are they necessarily indicative of future consolidated operational results.

In addition, the statements are based on available information and various assumptions that management believes to be reasonable. The actual results may differ from those reflected in the pro forma consolidated financial information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma consolidated financial information and actual amounts.

The pro forma consolidated financial information only consists of the pro forma consolidated statement of comprehensive income for the twelve month period ended 31 December 2016 and selected notes.

The statement of comprehensive income is based on the statements of comprehensive income for the year ended 31 December 2016 included in the USFN Group consolidated IFRS financial statements (audited) and ARS IFRS financial statements (audited), with pro forma adjustments as described in Note 3. The USFN Group consolidated IFRS financial statements and the ARS IFRS financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) (IFRS).

3. Basis of preparation of the pro forma consolidated financial information

3.1 Pro forma adjustments: reclassification of discontinued operations to profit or loss

Up to the second half of 2016, ARS has acted as a purchase hub for some related entities, mainly the USFN Group. All food supplies, beverages or other consumables were purchased by ARS and sold at a mark-up designed to broadly cover any other operating costs directly associated with this line of business. In November 2016, ARS together with USFN and the other related parties have outsourced this activity to Havi Logistics SA, a third party company specialized in integrated logistics services for the food industry. In the ARS individual financial statements the after tax result from the discontinued supply activity was disclosed separately, as a single profit or loss caption, in line with the IFRS requirements.

In the process of preparation of the pro forma consolidated statement of comprehensive income, the ARS loss for the year from discontinued operations, net of tax was reclassified to the original profit or loss captions (e.g. sales, food and materials, etc.) to the extent that the sales of ARS were made towards the USFN Group (for the year ended 31 December 2016 the discontinued operation had revenues of 84,703 of which 77,650 were sales to USFN Group, 246 were sales to other related parties and the rest were the proceeds from selling the remaining inventories to Havi Logistics S.A. – please refer also to Note 9).

3.2 Pro forma adjustments: elimination of intercompany transactions

In the process of preparation of the pro forma consolidated statement of comprehensive income, amounts as per the USFN Group audited IFRS consolidated financial statements were added to the amounts as per the ARS audited IFRS financial statements, with the transactions carried out during 2016 between the two entities being eliminated.

No synergies or integration costs following the acquisition of USFN Group and ARS by Sphera have been taken into consideration in the preparation of the pro forma consolidated financial information.

Additionally in this category is presented the reclassification of the net foreign exchange gain from ARS, to be netted off against the net foreign exchange loss of USFN Group, for presentation consistency purposes.

3.3 Purchase price allocation adjustments

Adjustments have been made to account for the effect of the purchase price allocation performed as of the date of acquisition of Sphera and ARS by USFN (30 May 2017). Specifically, there are fair value adjustments recorded for the property, plant and equipment of ARS. The adjustment recorded in the pro forma has been computed by applying the fair value adjustments to the property, plant and equipment of ARS (as determined on 31 May 2017) to their net book values on 1 January 2016 or from the date of acquisition in 2016, and by re-computing the depreciation expense for the year 2016 based on the amounts thus adjusted.

3.4 Preparation of the selected notes

With respect to:

- Note 4 Other operating expenses, net
- Note 5 General and administrative expenses, net
- Note 6 Total employee benefits expense and total depreciation and amortization expense
- Note 7 Finance costs and income,
- Note 8 EBITDA
- Note 9 Discontinued operations,

the information presented in these notes is based on amounts derived directly from the similar notes from the audited IFRS consolidated financial statements of USFN Group and, respectively, the audited IFRS financial statements of ARS, adjusted for the applicable pro forma adjustments described above.

All amounts in RON thousand, unless specified otherwise

3. Basis of preparation of the pro forma consolidated financial information (continued)

With respect to Note 10 Segment information:

The amounts related to the statement of comprehensive income were split between corresponding brands based on the same accounting policy as adopted for SFG consolidated financial statements in 2017; all amounts related to KFC brand were derived from USFN Group for 2016 while the amounts related to Pizza Hut brand were derived from ARS for 2016 plus one pizza delivery point from USFN Group.

The revenue from restaurants was split between Romania and Republic of Moldova based on the same accounting policy as adopted for SFG consolidated financial statements in 2017; all amounts related to Republic of Moldova were derived from USFN Moldova entity in 2016 while the amounts for the Romanian entities USFN and ARS (and immaterial amounts for USFN Italy) are presented as amounts related to Romania. (Sphera has no revenues to be presented).

4 Other operating expenses, net:

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Third-party services	9,330	2,734	14	(14)	-	12,064
Utilities	8,721	4,192	-	-	-	12,913
Maintenance and repairs	3,906	1,266	543	(543)	-	5,172
Cleaning supplies	2,535	523	2,027	(2,027)	-	3,058
Small-wares	2,725	1,829	671	(671)	-	4,554
Transport	1,582	563	-	-	-	2,145
Telephone and postage	371	74	2	(2)	-	445
Insurance	185	158		-	-	343
Net gain on disposal of property, plant and equipment	92	115		-	-	207
Change in allowance for receivables	5	-		-	-	5
Miscellaneous expenses and income, net	861	205	(580)	580	-	1,066
Total	**30,313**	**11,659**	**2,677**	**(2,677)**	-	**41,972**

All amounts in RON thousand, unless specified otherwise

5 General and administrative expenses, net

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Employee benefits	9,317	4,247		-		13,564
Third-party services	7,359	2,838	-	-		10,197
Rent	1,392	344	-	-		1,736
Depreciation and amortisation	590	137		-	31	758
Transport	811	503	1	(1)		1,314
Banking charges	1,046	479		-		1,525
Maintenance and repairs	990	101	3	(3)		1,091
Small-wares	444	442	-			886
Telephone and postage	251	116	-			367
Insurance	224	34	-			258
Advertising	143	-		-		143
Miscellaneous expenses and income, net	408	(259)	(13)	13		149
Total	**22,975**	**8,982**	**(9)**	**9**	**31**	**31,988**

6 Total payroll and employee benefits expense and total depreciation and amortization expense

6.1 Payroll and employee benefits

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Payroll and employee benefits recognized in "Restaurant expenses"	69,577	22,383	-	-	-	91,960
Payroll and employee benefits recognized in "General and administration expenses, net"	9,317	4,247	-	-	-	13,564
Total employee benefits	**78,894**	**26,630**	**-**	**-**	**-**	**105,524**

All amounts in RON thousand, unless specified otherwise

6 Total payroll and employee benefits expense and total depreciation and amortization expense (continued)

6.2 Depreciation and amortization

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Depreciation and amortization recognized in "Restaurant expenses"	9,234	2,666	-	-	561	12,461
Depreciation and amortization recognized in "General and administration expenses, net"	590	137	-	-	31	758
Total depreciation and amortization	**9,824**	**2,803**	**-**	**-**	**592**	**13,219**

7 Finance costs and income

7.1 Finance costs

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Interest on loans and borrowings	518	202	-	-		720
Finance charges payable under finance leases	18	11	-	-		29
Foreign exchange loss, net	289	-	-	(109)		180
Total finance costs	825	213	-	(109)		929

7.2. Finance income

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Interest income	95	18	-	-	-	113
Foreign exchange gain, net	-	109	-	(109)	-	-
Total finance income	95	127	-	(109)	-	113

All amounts in RON thousand, unless specified otherwise

8 EBITDA

	USFN Group	ARS	Reclassification discontinued operations (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Operating profit from continuing operations	55,246	5,629	(320)	320	(592)	60,283
Adjustments to bridge operating profit to EBITDA:						
Depreciation and amortization included in restaurant expenses	9,234	2,666	-	-	561	12,461
Depreciation and amortization included in general and administration expenses	590	137	-	-	31	758
EBITDA from continuing operations	**65,070**	**8,432**	**(320)**	**320**	**-**	**73,502**

EBITDA is one of the key performance measures monitored by senior management. EBITDA would be normalized to exclude any significant one-off items (either revenues or expenses) but no such exclusions were necessary for year ended 31 December 2016.

All amounts in RON thousand, unless specified otherwise

9 Discontinued operations

Up to the second half of 2016, ARS has acted as a purchase hub for some related entities, such as USFN Group or Cinnamon Bake & Roll SRL. All food supplies, beverages or other consumables were purchased by ARS and sold at a mark-up designed to broadly cover any other operating costs directly associated with this line of business. In November 2016, ARS together with USFN Group and the other related parties have outsourced this activity to Havi Logistics SA, a third party company specialized in integrated logistics services for the food industry. Accordingly, in the financial statements of ARS, this line of business has been classified and disclosed as a discontinued operation.

The results of the purchasing hub line of business for the past years are presented below:

	2016	2015	2014
Sales of goods	**84,703**	**81,857**	**63,111**
Direct expenses:			
Food and material	74,351	72,738	56,107
Payroll and employee benefits	2,321	2,720	2,853
Depreciation and amortization	382	171	131
Impairment of assets held for sale	966	-	-
Other operating expenses, net	7,621	5,057	2,860
Operating profit	**(938)**	**1,171**	**1,160**
General and administration expenses, net	1,203	1,648	1,868
Profit before tax	**(2,141)**	**(477)**	**(708)**
Income tax benefit:	188	80	113
Profit/(loss) for the year:	**(1,953)**	**(397)**	**(595)**

Prior to outsourcing, the supply activity involved 43 employees. Following the outsourcing, a number of 23 employees were redeployed within the Group (14 with ARS and 9 with USFN), while the rest left the Group.

All amounts in RON thousand, unless specified otherwise

10 Segment information

For management purposes, the Group is organised into business units based on the restaurants' brands, which are the operating and reportable segments of the Group, as follows:

- KFC restaurants
- Pizza Hut restaurants.

For the year ended 31 December 2016 the Group also had one more immaterial operating segment, being one Paul restaurant which is managed by USFN, and which was aggregated into the KFC segment.

The Board of Directors monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating profit and is measured consistently with ''Restaurant operating profit'' in the statement of comprehensive income in the audited IFRS consolidated financial statements of USFN Group and, respectively, the audited IFRS financial statements of ARS.

Transfer prices between operating segments are on an arm's length's basis in a manner similar to transactions with third parties.

				Reclassification discontinued operations (Note 3.1)	**Intercompany elimination** (Note 3.2)	**PPA effect** (Note 3.3)	
Year ended 31 December 2016	**KFC**	**Pizza Hut**	**Other**			**Pizza Hut**	**Pro forma**
Restaurant sales (Revenues from external customers)	415,535	98,940	-	-	-	-	514,475
Inter-segment revenues	-	-	-	77,650	(77,650)	-	-
Restaurant expenses (Operating expenses)	337,628	84,016	-	77,979	(77,979)	561	422,204
Restaurant profit (Segment operating profit)	**77,908**	**14,923**	**-**	**(329)**	**329**	**(561)**	**92,271**
Finance costs	-	-	929	-	-	-	929
Finance income	-	-	113	-	-	-	113
Income taxes	-	-	6,144	(50)	50	-	6,144
Net profit from continuing operations	**54,933**	**5,942**	**(6,960)**	**(270)**	**270**	**(592)**	**53,323**

Depreciation and amortization	9,669	2,958	-	-	-	592	13,219

12. Segment information (continued)

Geographic information:

Revenue from external customers	USFN group	ARS	Pro forma adjustments	Pro forma
Romania	410,043	96,940	-	**506,983**
Republic of Moldova	7,492	-	-	**7,492**
Total restaurant revenue	**417,535**	**96,940**	**-**	**514,475**

The revenue information above is based on the location of the customers.

13. Earnings per share (EPS)

EPS is calculated by dividing the profit for the year attributable to shareholders of Sphera by the number of ordinary shares issued by Sphera, after the contribution of USFN shares and ARS shares by the existing shareholders.

	2016
Profit from continuing operations attributable to ordinary equity holders of Sphera (RON thousand)	53,283
Number of Sphera shares	38,799,340
Earnings per share, basic and diluted (RON/share)	**1.3733**

There are no dilutive instruments to be considered.

SPHERA FRANCHISE GROUP SA

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2017

CONTENT

Building a better
working world

Ernst & Young Assurance Services SRL
Cladirea Bucharest Tower Center, et. 21
Bd. Ion Mihalache nr. 15-17, Sector 1
011171 Bucuresti, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

To the Board of Directors of Sphera Franchise Group S.A.

We have completed our assurance engagement to report on the compilation of pro forma consolidated financial information of **Sphera Franchise Group S.A. ("Sphera")** and its subsidiaries (together "the Group") by management. The pro forma consolidated financial information consists of the pro forma consolidated statement of comprehensive income for the period from 1 January 2017 to 30 June 2017 and related explanatory notes. The applicable criteria on the basis of which management has compiled the pro forma consolidated financial information are specified in the European Commission Regulation (EC) No. 809/2004 and the basis of compilation is described in Note 3 to the pro forma consolidated financial information.

The pro forma consolidated financial information has been compiled by management of Sphera Franchise Group S.A. to illustrate the consolidated operational performance of the Group for the six months period ended 30 June 2017, as if the set-up of Sphera completed on 16 May 2017 and the contribution of US Food Network S.A. shares and American Restaurant Systems S.A. shares to Sphera completed on 30 May 2017, as described in Note 1, took place on 1 January 2017.

As part of this process, information about the Group's financial performance has been extracted by management from the Group's interim consolidated financial statements for the 6 months period ended 30 June 2017 prepared in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ("IAS 34"), on which we issued a review report on 14 September 2017 and from the statement of comprehensive income of American Restaurant System S.A. for the period 1 January – 31 May 2017, which is not audited or reviewed, which has been derived from the interim financial statements of American Restaurant System S.A. for the 6 months period ended 30 June 2017 prepared in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ("IAS 34"), on which we issued a review report on 14 September 2017.

Management's responsibility for the Pro Forma Financial Information

Management is responsible for compiling the pro forma consolidated financial information on the basis of the requirements of the European Commission Regulation (EC) No. 809/2004 and criteria described in Note 3 to the pro forma consolidated financial information.

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, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The firm applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements.

Auditor's responsibility

Our responsibility is to express an opinion, as required by item 7 of Annex II of the European Commission Regulation (EC) No. 809/2004, about whether the pro forma consolidated financial information has been compiled, in all material respects, by management on the basis of compilation described in Note 3 to the pro forma consolidated financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the auditors comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the pro forma financial information on the basis of compilation described in Note 3 to the pro forma consolidated financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome if the set-up of Sphera and the contribution of US Food Network S.A. shares and American Restaurant Systems S.A. shares to Sphera took place on 1 January 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by management in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion, (a) the pro forma consolidated financial information has been properly compiled on the basis stated; and (b) that basis is consistent with the accounting policies of **Sphera Franchise Group S.A.**

Other matter

This report is issued for the sole purpose of the public offering in Romania and the admission of the existing and new common shares to the regulated market operated by the Bucharest Stock Exchange. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the public offering described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the offer to the public of the existing and new common shares on the regulated market operated by the Bucharest Stock Exchange.

On behalf of

Ernst & Young Assurance Services SRL

Alina Dimitriu

Executive Director

Bucharest, Romania

14 September 2017

All amounts in RON thousand, unless specified otherwise

	Note	**SFG**	**ARS for the period 1 January – 31 May 2017** (Note 3.1)	**Intercompany elimination** (Note 3.2)	**PPA effect** (Note 3.3)	**Pro forma**
		(a)	(b)	(c)	(d)	(e) = (a)+(b)+(c)+(d)
Restaurant sales		242,204	45,630	(1)	-	287,833
Restaurant expenses						
Food and material expenses		87,944	12,530	(2)	-	100,472
Payroll and employee benefits	6.1	43,430	11,765	-	-	55,195
Rent		17,001	3,897	-	-	20,898
Royalties		14,125	2,682	-	-	16,807
Advertising		11,724	2,517	(21)	-	14,220
Other operating expenses, net	4	18,474	4,286	22	-	22,782
Depreciation and amortization	6.2	4,952	1,467	-	241	6,660
Restaurant operating profit		**44,554**	**6,486**	**-**	**(241)**	**50,799**
General and administration expenses, net	5	15,832	4,372	-	-	20,204
Operating profit		**28,722**	**2,114**	**-**	**(241)**	**30,595**
Finance costs	7.1	440	198	-	-	638
Finance income	7.2	109	6	-	-	115
Profit before tax		**28,391**	**1,922**	**-**	**(241)**	**30,072**
Income tax expense/(credit)		1,189	553	-	-	1,742
Profit for the period		**27,202**	**1,369**	**-**	**(241)**	**28,330**
Attributable to:						
Equity holders of Sphera		27,090	1,369	-	(241)	28,218
Non-controlling interests		112	-	-	-	112

SPHERA FRANCHISE GROUP SA
PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 1 JANUARY 2017 TO 30 JUNE 2017
All amounts in RON thousand, unless specified otherwise

	Note	SFG	ARS for the period 1 January – 31 May 2017 (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
		(a)	(b)	(c)	(c)	(f) = (a)+(b)+(c)
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):						
Exchange differences on translation of foreign operations		(30)	-	-	-	(30)
Total comprehensive income for the period, net of tax		**27,172**	**1,369**	**-**	**(241)**	**28,300**
Attributable to:						
Equity holders of Sphera		27,060	1,369	-	(241)	28,188
Non-controlling interests		112	-	-	-	112
Earnings per share, basic and diluted (RON/share) (Note 10)		0.7273				

This pro forma consolidated financial information has been authorised by the Board of Directors for issue on 29 August 2017.

Mark Hilton
General Manager Sphera Franchise Group SA

1. INTRODUCTION

Sphera Franchise Group SA ("Sphera"), together with its subsidiaries: US Food Network SA ("USFN"), US Food Network SRL Italy ("USFN Italy"), US Food Network SRL Moldova ("USFN Moldova") (USFN together with USFN Italy and USFN Moldova being the "USFN Group"), California Fresh Flavours SRL ("Taco Bell") and American Restaurant System SA ("ARS") form "the Group" (or "SFG").

Sphera was set up on 16 May 2017 by the shareholders of USFN and ARS. The purpose of the reorganization that resulted in the establishment of Sphera as the legal parent of USFN, ARS, USFN Italy, USFN Moldova and Taco Bell was to ensure a better coordination of activities and enhance value creation, by taking advantage of the synergies at group level and by achieving economies of scale. In terms of activities, Sphera will take over gradually until the end of September 2017 certain activities as well as 105 employees from USFN and ARS and will render to the benefit of the Group entities services such as management services, marketing support, development, sales support, human resources and other services.

Sphera has become the parent of both USFN and ARS on 30 May 2017, following the contribution by the existing shareholders of their shares in USFN (379,999 shares out of total 380,000 shares) and ARS (379,999 shares out of total 380,000 shares) in exchange for shares in Sphera. By applying the criteria set in IFRS 3, the transaction qualified as a business combination and USFN has been identified as the acquirer of Sphera and ARS.

On 8 June 2017 USFN has sold all the 100% shares it held in its subsidiary USFN Italy to Sphera and on 14 June 2017 USFN has sold all the 80% shares it held in its subsidiary USFN Moldova to Sphera. These transactions had no effect on the consolidated financial statements of SFG, as there was no change of control, nor of the percentage owned by Sphera shareholders.

On 19 June 2017 Sphera has set up a new subsidiary, California Fresh Flavours SRL ("Taco Bell"), and holds 9,999 shares of its 10,000 shares. The new subsidiary had no activity up to 30 June 2017.

This pro forma consolidated financial information has been authorised by the Board of Directors for issue on 29 August 2017.

2. PURPOSE OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

This pro forma consolidated financial information was prepared to illustrate the consolidated operational performance of the Group for the six months period ended 30 June 2017, as if the set-up of Sphera and the contribution of USFN shares and ARS shares to Sphera took place on 1 January 2017.

(The sale of the shares in USFN Italy and USFN Moldova by USFN to Sphera, which has no impact on the consolidated financial statements of SFG, as well as the set-up of Taco Bell are not adjusted for in the pro forma consolidated financial information).

USFN and ARS had identical shareholder structure and also their key management personnel was in majority the same since 2012. Therefore, although from an IFRS perspective the criteria are not met in order to qualify as “under common control” (since none of the shareholders had control or common control), the presentation of the pro forma information is reflective of the manner in which the two business segments (KFC for USFN and Pizza Hut for ARS) were managed together.

The pro forma consolidated statement of comprehensive income describes a hypothetical situation and has been prepared solely for illustrative purposes and do not purport to represent what the actual consolidated results of operations of the Group would have been had the control been gained on the date assumed, nor are they necessarily indicative of future consolidated operational results.

In addition, the statements are based on available information and various assumptions that management believes to be reasonable. The actual results may differ from those reflected in the pro forma consolidated financial information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the pro forma consolidated financial information and actual amounts.

The pro forma consolidated financial information only consists of the pro forma consolidated statement of comprehensive income for the six month period ended 30 June 2017 and selected notes.

The statement of comprehensive income is based on the statement of comprehensive income for the six months ended 30 June 2017 included in the SFG consolidated IFRS financial statements (unaudited) and ARS statement of comprehensive income for the period 1 January – 31 May 2017 (unaudited), with pro forma adjustments as described in Note 3. The SFG consolidated IFRS financial statements have been prepared in accordance with International Financial Reporting Standards applicable to interim financial reporting as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) (IAS 34).

3. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

3.1 ARS statement of comprehensive income for the period 1 January - 31 May 2017

On 30 May 2017, Sphera acquired 99.9997% of the shares in ARS, in exchange for Sphera shares. The consolidated statement of comprehensive income of SFG includes the results of ARS from the date of acquisition, i.e. from 31 May 2017 to 30 June 2017. As such, the pre-acquisition statement of comprehensive income of ARS for the period 1 January 2017 to 31 May 2017 has been added, as if the acquisition took place on 1 January 2017.

3.2 Pro forma adjustments: elimination of intercompany transactions

In the process of preparation of the pro forma consolidated statement of comprehensive income, pre-acquisition amounts for the period 1 January 2017 to 31 May 2017 from the statement of comprehensive income of ARS were added to the amounts from the SFG IFRS consolidated statement of comprehensive income for the six months ended 30 June 2017, thus the transactions carried out during the first five months of 2017 between the two entities had to be eliminated.

No synergies or integration costs following the acquisition of USFN Group and ARS by Sphera have been taken into consideration in the preparation of the pro forma consolidated financial information.

3.3 Purchase price allocation adjustments

Adjustments have been made to account for the effect of the purchase price allocation performed as of the date of acquisition of Sphera and ARS by USFN (30 May 2017). Specifically, there are fair value adjustments recorded for the property, plant and equipment of ARS. The adjustment recorded in the pro forma has been computed by applying the fair value adjustments to the property, plant and equipment of ARS (as determined on 31 May 2017) to their net book values on 1 January 2017 or from the date of acquisition in 2017, and by re-computing the depreciation expense for the period 1 January – 31 May 2017 based on the amounts thus adjusted.

3.4 Preparation of the selected notes

With respect to:

- Note 4 Other operating expenses, net
- Note 5 General and administrative expenses, net
- Note 6 Total employee benefits expense and total depreciation and amortization expense
- Note 7 Finance costs and income,
- Note 8 EBITDA

The information presented in these notes is based on amounts derived directly from the similar notes from the unaudited IFRS consolidated financial statements of SFG for the six months ended 30 June 2017 and, respectively, the unaudited financial statements of ARS for the six months ended 30 June 2017, from which is derived the statement of comprehensive income of ARS for the period 1 January – 31 May 2017, adjusted for the applicable pro forma adjustments described above.

With respect to Note 9 Segment information:

The amounts related to the statement of comprehensive income were split between corresponding brands based on the same accounting policy as adopted for the SFG consolidated financial statements in 2017.

The revenue from restaurants was split between Romania, Republic of Moldova and Italy based on the same accounting policy as adopted for the SFG consolidated financial statements in 2017; all amounts related to Republic of Moldova and Italy were derived from USFN Moldova and USFN Italy entities in 2017 while the amounts for the Romanian entities USFN and ARS are presented as amounts related to Romania. (Sphera has no revenues to be presented).

All amounts in RON thousand, unless specified otherwise

4 OTHER OPERATING EXPENSES, NET:

	SFG	ARS for the period 1 January – 31 May 2017 (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Third-party services	5,823	1,253	(2)	-	7,074
Utilities	4,718	1,839	-	-	6,557
Maintenance and repairs	2,656	323	(1)	-	2,978
Cleaning supplies	1,402	267	-	-	1,669
Small-wares	1,215	332	(32)	-	1,515
Transport	1,030	203	-	-	1,233
Telephone and postage	186	33	-	-	219
Insurance	106	106	-	-	212
Net gain on disposal of property, plant and equipment	-	(8)	-	-	(8)
Change in allowance for current assets	-	(63)	-	-	(63)
Miscellaneous expenses and income, net	1,338	1	57	-	1,396
Total	**18,474**	**4,286**	22	-	**22,782**

5 GENERAL AND ADMINISTRATIVE EXPENSES, NET

	SFG	ARS for the period 1 January – 31 May 2017 (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.1)	Pro forma
Payroll and employee benefits	6,442	2,327	-	-	8,769
Third-party services	4,979	1,232	-	-	6,211
Rent	739	91	-	-	830
Depreciation and amortisation	1,119	60	-	-	1,179
Transport	606	321	-	-	927
Banking charges	653	150	-	-	803
Maintenance and repairs	430	37	-	-	467
Small-wares	381	20	-	-	401
Telephone and postage	165	48	-	-	213
Insurance	137	17	-	-	154
Impairment of non-current assets	108	-	-	-	108
Advertising	25	-	-	-	25
Miscellaneous expenses and income, net	48	69	-	-	117
Total	**15,832**	**4,372**	**-**	**-**	**20,204**

All amounts in RON thousand, unless specified otherwise

6 TOTAL PAYROLL AND EMPLOYEE BENEFITS EXPENSE AND TOTAL DEPRECIATION AND AMORTIZATION EXPENSE

6.1 Payroll and employee benefits

	SFG	ARS for the period 1 January – 31 May 2017 (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Payroll and employee benefits recognized in "Restaurant expenses"	43,430	11,765	-	-	55,195
Payroll and employee benefits recognized in "General and administration expenses, net"	6,442	2,327	-	-	8,769
Total payroll and employee benefits	**49,872**	**14,092**	**-**	**-**	**63,964**

6.2 Depreciation and amortization

	SFG	ARS for the period 1 January – 31 May 2017 (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Depreciation and amortization recognized in "Restaurant expenses"	4,952	1,467	-	241	6,660
Depreciation and amortization recognized in "General and administration expenses, net"	1,119	60	-	-	1,179
Total depreciation and amortization	**6,071**	**1,527**	**-**	**241**	**7,839**

7 FINANCE COSTS AND INCOME

7.1 Finance costs

	SFG	ARS for the period 1 January – 31 May 2017 (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Interest on loans and borrowings	380	123	-	-	503
Finance charges payable under finance leases	15	3	-	-	18
Foreign exchange loss, net	45	72	-	-	117
Total finance costs	**440**	**198**	**-**	**-**	**638**

7.2. Finance income

	SFG	ARS for the period 1 January – 31 May 2017 (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Interest income	109	6	-	-	115
Total finance income	**109**	**6**	**-**	**-**	**115**

All amounts in RON thousand, unless specified otherwise

8 EBITDA

	SFG	ARS for the period 1 January – 31 May 2017 (Note 3.1)	Intercompany elimination (Note 3.2)	PPA effect (Note 3.3)	Pro forma
Operating profit	**28,722**	**2,114**	**-**	**(241)**	**30,595**
Adjustments to bridge operating profit to EBITDA:					
Depreciation and amortization included in restaurant expenses	4,952	1,467	-	241	6,660
Depreciation and amortization included in general and administration expenses	1,119	60	-	-	1,179
EBITDA	**34,793**	**3,641**	**-**	**-**	**38,434**

EBITDA is one of the key performance measures monitored by senior management. EBITDA would be normalized to exclude any significant one-off items (either revenues or expenses) but no such exclusions were necessary for the six months period ended 30 June 2017.

9 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the restaurants' brands, which are the operating and reportable segments of the Group, as follows:

- KFC restaurants
- Pizza Hut restaurants.

For the six months ended 30 June 2017 the Group also had one more immaterial operating segment, being one Paul restaurant which is managed by USFN, and which was aggregated into the KFC segment.

The Board of Directors monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating profit and is measured consistently with ''Restaurant operating profit'' in the statement of comprehensive income in the unaudited IFRS consolidated financial statements of the Group and, respectively, the unaudited financial statements of ARS for the six months ended 30 June 2017, from which is derived the statement of comprehensive income of ARS for the period 1 January 2017 – 31 May 2017.

All amounts in RON thousand, unless specified otherwise

9. SEGMENT INFORMATION (continued)

Transfer prices between operating segments are on an arm's length's basis in a manner similar to transactions with third parties.

Six months ended 30 June 2017	SFG KFC	SFG Pizza Hut	ARS for the period 1 January – 31 May 2017	Total Pizza Hut	SFG Other	ARS for the period 1 January – 31 May 2017	Total Other	Intercompany elimination	PPA effect Pizza Hut	Pro forma
Restaurant sales (Revenues from external customers)	232,439	9,764	45,630	55,394	-	-	-	-	-	287,833
Inter-segment revenues	269	-	-	-	-	-	-	(269)	-	-
Restaurant expenses (Operating expenses)	189,595	8,323	39,144	47,467	-	-	-	(269)	241	237,034
Restaurant profit (Segment operating profit)	**43,113**	**1,441**	**6,486**	**7,927**	**-**	**-**	**-**	**-**	**(241)**	**50,799**
Finance costs	-	-	-	-	440	198	638	-	-	638
Finance income	-	-	-	-	109	6	116	-	-	116
Income taxes	-	-	-	-	1,189	553	1,742	-	-	1,742
Net profit	**28,643**	**79**	**2,114**	**1,996**	**(1,520)**	**(745)**	**(2,265)**	**-**	**(241)**	**28,330**
Depreciation and amortization	5,748	323	1,527	1,850	-	-	-	-	241	7,839

Geographic information:

Revenue from external customers	SFG	ARS for the period 1 January – 31 May 2017	Pro forma
Romania	234,591	45,630	280,221
Republic of Moldova	4,131	-	4,131
Italy	3,481	-	3,481
Total restaurant revenue	**242,203**	**45,630**	**287,833**

The revenue information above is based on the location of the customers.

10. EARNINGS PER SHARE (EPS)

EPS is calculated by dividing the profit for the period attributable to shareholders of Sphera by the number of ordinary shares issued by Sphera, after the contribution of USFN shares and ARS shares by the existing shareholders.

	30 June 2017
Profit attributable to ordinary equity holders of Sphera	28,218
Number of Sphera shares	38,799,340
Earnings per share, basic and diluted (RON/share)	**0.7273**

There are no dilutive instruments to be considered.