



Consolidated Budget of Revenues and Expenses

Proposal for Year 2018





Macroeconomic environment

- We expect overall inflation to pick up to 4-5% in 2018, being driven by the continuous increases in minimum salaries;
- Increase in the minimum salary from a gross level of approximately RON 1,800 in 2017 to RON 1,900 in 2018 (both being calculated based on the new salary contribution system);
- RON will continue a slight depreciation trend against EUR amid further deterioration of the current account deficit;

Development plan

- The development plan will focus on the opening of at least 23 restaurants (7x KFC Romania, 6x KFC Italy, 7x Pizza Hut and 3x Taco Bell), with an estimated capex of approximately EUR 17m;
- Store remodelings are expected to cost EUR 1.7m;

Pricing policy

- We expect to be able to increase our prices in line with overall inflation, subject to changes in the population's purchasing power and the pricing policy of our main competitors in quick-service, casual dine-in and delivery segments;

Restaurant operating expenses

- Cost of food (as percentage of sales) is forecast to decrease slightly as we expect to be able to use our buying leverage and growing volumes to keep the increases in raw material prices below our selling prices;
- Cost of labour will reflect the increase in the economy's minimum salary as well as the impact of higher meal tickets granted to our staff, being expected to further increase as percentage of sales;
- Certain restaurant expenses will also be impacted by the high pace of new store development (especially labour, rent and semi-variable expenses);

G&A expenses

- Normalized G&A expenses are expected to fall as percentage of sales, although we will continue to hire additional staff required by the strong growth in top line and increasing complexity of the group's activities (coverage of new markets, additional regulatory requirements).



Indicator	Budget 2018	
	RON million	% of sales
Restaurant sales	771.2	100.0%
Cost of sales	268.5	34.8%
Restaurant gross margin	502.7	65.2%
Restaurant operating expenses (excluding Depreciation & Amortisation)	361.7	46.9%
Depreciation & Amortisation	24.5	3.2%
Restaurant operating profit	116.4	15.1%
G&A	54.4	7.1%
Operating profit	62.0	8.0%
Net finance cost	3.2	0.4%
Profit before tax	58.8	7.6%
Income tax expense	4.9	0.6%
Profit for the year	53.9	7.0%