

Q1 2022

FINANCIAL REPORT

S P H E R A F R A N C H I S E G R O U P S A



S P H E R A

KFC




TACO BELL

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The interim condensed consolidated financial statements presented on the following pages are prepared in accordance with International Financial Reporting Standards, as adopted by European Union ("IFRS").

The interim condensed consolidated financial statements as of March 31st, 2022 **are unaudited.**

The financial figures presented in the descriptive part of the report that are expressed in million RON are rounded off to the nearest integer. This may result in small reconciliation differences.

ISSUER INFORMATION

INFORMATION ABOUT THIS FINANCIAL REPORT

Type of report	Quarterly Report for Q1
For financial period	01.01.2022 – 31.03.2022
Date of publishing	13.05.2022
According to	Annex 13 of ASF Regulation 5/2018

ISSUER INFORMATION

Issuer's name	Sphera Franchise Group S.A.
Fiscal code	RO 37586457
Trade registry number	J40/7126/2017
Registered office	Calea Dorobanților nr. 239, 2nd floor, Bucharest sector 1

INFORMATION ABOUT FINANCIAL INSTRUMENTS

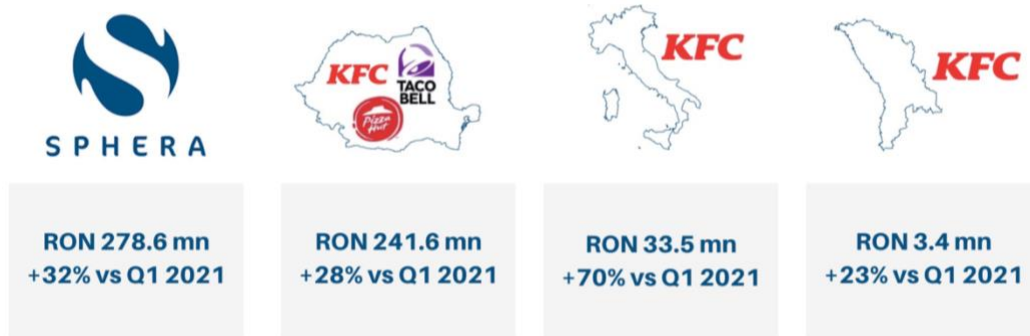
Subscribed and paid-up share capital	RON 581,990,100
Market on which the securities are traded	Bucharest Stock Exchange, Main Segment, Premium Category
Total number of shares	38,799,340
Symbol	SFG

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Q1 2022 FINANCIAL RESULTS HIGHLIGHTS

Sales per geography



Sales per brand



RON 6.5 mn

restaurant operating profit -58%
vs. Q1 2021

RON 3.8 mn

normalized EBITDA -71% vs.
Q1 2021

24%

Increase in like-for-like sales in Q1
2022 vs. Q1 2021

28%

share of delivery orders in total
sales in Q1 2022

4

new restaurants opened in
Q1 2022

Q1 2022 RESULTS ANALYSIS¹

In the first quarter of 2022, Sphera Franchise Group continued to grow its performance, registering a 31.8% increase in the sales compared to Q1 2021, reaching RON 278.6 million. Sales in Romania contributed to the total revenues with RON 241.6 million, registering a 28% increase in Q1 2022 compared to Q1 2021, Italy with RON 33.5 million, 70% increase, while Republic of Moldova contributed with RON 3.4 million, 23% increase vs. Q1 2021. The excellent sale performance of KFC Italy, which registered the second-best quarter in history, increased the share in the total sales generated in Italy from 9.3% in Q1 2021, to 12% in Q1 2022.

Analyzing performance per brand, sales of KFC appreciated 29% in Q1 2022 vs. Q1 2021, delivering RON 236.2 million in revenues, Pizza Hut increased 55% contributing with RON 28.4 million while Taco Bell grew 48% vs. Q1 2021, registering revenues of RON 14.1 million in the first three months of 2022, in March 2022 registering the highest sales in its history on same store. The improved performance of Pizza Hut in Romania driven also by the opening of the new units, including the Fast Casual Delivery concept, increased the share of the revenues generated by Pizza Hut in total sales from 8.6% in Q1 2021 to 10.2% in Q1 2022.

Restaurant expenses grew faster than sales in Q1 2022, registering a 39% increase compared to Q1 2021 driven first and foremost by pressure from food and material costs, which grew 40.7% reaching RON 97.8 million (increase of RON 28.3 million). The increase in the food and material costs was driven by a significant increase in chicken prices due to the spike in costs of poultry rearing, growing energy costs, the minimum wage increase, as well as due to the general inflationary environment. Especially in the context of the lingering war in Ukraine, feed grain prices are expected to raise and consequently to further increase raw material prices. Part of these costs were transferred to the consumers through a price hike in March 2022, but it was nonetheless smaller than the overall increase in costs registered in Q1 2022. Historically, the Group has always increased prices in several stages, as a result further successive price increases are envisaged.

In the context of scarce and a more demanding labor market the Group focused on motivating and securing its employee base by implementing wage increases (22% average), a new bonus scheme and raised benefits (meal tickets increase) during 2021. Consequently, payroll cost grew 40% in Q1 2022 vs Q1 2021, reaching RON 66.9 million (increase of RON 19.1 million).

Rent costs increased 30.3%, reaching RON 21.5 million as the Group had negligible opportunities to renegotiate rents in Q1 2022 due to the end of the pandemic restrictions during the quarter. As a comparison, in Q1 2021, the Group managed to obtain discounts on the fixed rent in a total amount of RON 1.25 million. The royalties grew 32.8% to RON 16.8 million due to sales growth while the advertising increased 53.7% due to the different timing of the marketing campaigns, reaching RON 13.8 million. Other operating expenses increased 44.4%, reaching RON 45.3 million due to the doubling of the utility costs, which reached RON 10.8 million vs. RON 5.3 million in Q1 2021. This position also includes aggregator commissions, which increased 20.6% in Q1 2022 compared to Q1 2021 but declined slightly compared to Q4 2022. Depreciation and amortization increased 11.6% in Q1 2022 compared to Q1 2021, primarily due to the new openings.

Due to the rapid increase in restaurant expenses, the group ended Q1 2022 with a restaurant operating profit of RON 6.5 million, a 58.4% decrease compared to Q1 2021. The G&A expenses increased 7.6% reaching RON 13.6 million thus leading to the operating loss for the period of RON 7.1 million, vs. the operating profit of RON 3.1 million registered in Q1 2021. The EBITDA amounted to RON 3.8 million in Q1 2022, 70.5% decline compared to Q1 2021.

¹ As of January 1st, 2019, Sphera Franchise Group applies IFRS 16 "Leases" standard that sets out the principles for the recognition, measurement, presentation, and disclosure of leases. When analyzing the performance of the Group, the management's focus is on the financial results that exclude the impact of IFRS 16. Therefore, the basis for the financial analysis on the following pages are the results excluding IFRS 16. Nonetheless, for most of the tables below are provided financial results both including, as well as excluding the impact of IFRS 16. For more information on the impact of IFRS 16 Leases on the interim condensed consolidated financial statements of Sphera, please refer to the Interim Condensed Consolidated Financial Statements.

The finance costs increased 42.5%, reaching RON 2.9 million while the financial income increased from RON 2K in Q1 2021 to RON 152K in Q1 2022. With the negative financial result, the EBT for the first three months of 2022 was a loss of RON 9.9 million. The tax expense amounted to RON 1 million in Q1 2022 (vs. RON 0.5 million in Q1 2021). Consequently, the Group ended Q1 2022 with a net loss of RON 10.9 million, vs. a net profit of RON 0.5 million in Q1 2021.

Summary of interim Consolidated Financial Statements for Q1 (excluding IFRS 16 Impact):

Data in RON'000	Q1-22	Q1-21	Y/Y % Q1-22/Q1-21	% of Sales		Δ%
				Q1-22	Q1-21	
Restaurant sales	278,579	211,428	31.8%			
Restaurant expenses	272,031	195,679	39.0%	97.6%	92.6%	5.1%
Food and material	97,814	69,498	40.7%	35.1%	32.9%	2.2%
Payroll and employee benefits	66,877	47,759	40.0%	24.0%	22.6%	1.4%
Rent	21,484	16,493	30.3%	7.7%	7.8%	-0.1%
Royalties	16,759	12,618	32.8%	6.0%	6.0%	0.0%
Advertising	13,822	8,994	54%	5.0%	4.3%	0.7%
Other operating expenses	45,301	31,383	44.4%	16.3%	14.8%	1.4%
Depreciation and amortization	9,973	8,935	11.6%	3.6%	4.2%	-0.6%
Restaurant operating profit	6,548	15,749	-58.4%	2.4%	7.4%	-5.1%
General & Admin expenses	13,628	12,663	7.6%	4.9%	6.0%	-1.1%
Operating Profit/(Loss)	(7,081)	3,086		-2.5%	1.5%	-4.0%
Finance costs	2,949	2,069	42.5%	1.1%	1.0%	0.1%
Finance income	152	2	8,607.5%	0.1%	0.0%	0.1%
Profit/(Loss) before tax	(9,878)	1,018		-3.5%	0.5%	-4.0%
Income tax expense	386	550	-29.8%	0.1%	0.3%	-0.1%
Specific Tax	624	-	-	0.2%	0.0%	0.2%
Profit/(Loss) for the period	(10,887)	469		-3.9%	0.2%	-4.1%
EBITDA	3,760	12,749	-70.5%	1.3%	6.0%	-4.7%
Normalized EBITDA*	3,760	13,115	-71.3%	1.3%	6.2%	-4.9%

(* EBITDA was normalized for Q1 2021 to exclude the accrued penalties due to Pizza Hut Europe (Master Franchisor) for the restaurants committed to be opened in 2019 and postponed for the future periods. Subsequently, in August 2021, the Group signed a revised Development Agreement following the renegotiation with master franchisor YUM! Of the development plan and agreed that the accrued penalties for not meeting the minimum target for new Pizza Hut restaurants from 2019 to be used in entirety as a reinvestment credit, which was deployed into development of the Pizza Hut and Pizza Hut Delivery network in Romania. The normalized EBITDA in Q1 2022 is equal to EBITDA.

Summary of interim Consolidated Financial Statements for Q1 – results and evolution presented with and without IFRS 16 impact

Data in RON'000	Q1-22		Q1-21		Change (%)	
	1	2	1	2	Q1-22/ Q1-21 (1)	Q1-22/ Q1-21 (2)
Restaurant sales	278,579	278,579	211,428	211,428	31.8%	31.8%
Restaurant expenses	270,476	272,031	196,168	195,679	37.9%	39.0%
Food and material	97,814	97,814	69,498	69,498	40.7%	40.7%
Payroll and employee benefits	66,877	66,877	47,759	47,759	40.0%	40.0%
Rent	6,292	21,484	3,237	16,493	94.4%	30.3%
Royalties	16,759	16,759	12,618	12,618	32.8%	32.8%
Advertising	13,822	13,822	8,994	8,994	53.7%	53.7%
Other operating expenses	45,301	45,301	31,383	31,383	44.4%	44.4%
Depreciation and amortization	23,610	9,973	22,680	8,935	4.1%	11.6%
Restaurant operating Profit / (Loss)	8,103	6,548	15,260	15,749	-46.9%	-58.4%
General & Admin expenses	13,336	13,628	12,146	12,663	9.8%	7.6%
Operating Profit/(Loss)	(5,233)	(7,081)	3,114	3,086		
Finance costs	4,803	2,949	6,090	2,069	-21.1%	42.5%
Finance income	152	152	2	2	8,607.5%	8,607.5%
Profit/(Loss) before tax	(9,885)	(9,878)	(2,974)	1,018	232.4%	
Income tax expense	366	386	135	550	170.7%	-29.8%
Specific Tax	624	624	-	-	-	-
Profit/(Loss) for the period	(10,875)	(10,887)	(3,109)	469	249.8%	
EBITDA	19,893	3,760	26,856	12,749	-25.9%	-70.5%
Normalized EBITDA*	19,893	3,760	27,223	13,115	-26.9%	-71.3%

Notes: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.

(* Normalized EBITDA – excludes the penalty from franchisor for postponed development of Pizza Hut restaurants in 2019.

The G&A expenses increased 7.6% in Q1 2022, mainly due to a 13.3% increase in payroll and employee benefits, which amounted to RON 9.1 million, 29.4% increase in third-party services which reached RON 1.7 million, a 19.1% increase in depreciation and amortization which reached RON 0.9 million as well as 73.8% increase in the transportation charges, which reached RON 0.3 million. Nonetheless, the increase in the G&A costs was slower than the increase in revenues, as the share of G&A expenses in the consolidated sales decreased by 1.1pp in the analyzed period.

	Data in RON '000				Change (%)		Percentage of sales			
	Q1-22	Q1-22	Q1-21	Q1-21	2022/2021 (1)	2022/2021 (2)	Q1-22	Q1-22	Q1-21	Q1-21
	(1)	(2)	(1)	(2)			(1)	(2)	(1)	(2)
General and administration (G&A) expenses	13,336	13,628	12,146	12,663	9.8%	7.6%	4.8%	4.9%	5.7%	6.0%
Payroll and employee benefits	9,148	9,148	8,072	8,072	13.3%	13.3%				
Third-party services	1,695	1,695	1,311	1,311	29.4%	29.4%				
Depreciation and amortization	1,516	868	1,062	728	42.8%	19.1%				
Rent	55	996	72	924	-23.4%	7.8%				
Banking charges	196	196	1,027	1,027	-80.9%	-80.9%				
Transport	259	259	149	149	73.8%	73.8%				
Other*	466	466	453	453	2.9%	2.9%				

Note: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.

*Other expenses include maintenance & repairs, smallware, insurance, advertising, phone & postage, miscellaneous expenses.

In terms of individual performance, USFN Romania (KFC Romania) and USFN Moldova (KFC Moldova) closed Q1 2022 profitable, same as in Q1 2021. The two companies registered together EBITDA of RON 9.6 million, with a net profit of the two entities of RON 1.9 million.

All the other entities closed the first quarter of 2022 with a restaurant operating loss, varying from RON 0.2 million for CFF (Taco Bell Romania), RON 1.8 million for ARS (Pizza Hut) and RON 2.9 million for USFN Italy (KFC Italy). KFC Italy on the other hand improved the performance compared to Q1 2021, having increased the revenues 70% and improved the net result by RON 2 million due to larger scale of activity as well as lesser restrictions across Italy.

Breakdown of consolidated results by Group companies – Q1 2022 (excluding IFRS 16 Impact):

Data in RON'000	Q1-22							SFG Cons
	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons. Adj.	
Restaurant sales	199,184	28,353	3,427	33,545	14,071	8,139	(8,140)	278,579
Restaurant expenses	188,219	30,148	3,023	36,474	14,267	-	(100)	272,031
Food and material	73,858	8,389	1,569	9,299	4,699	-	-	97,814
Payroll and employee benefits	45,440	8,216	471	9,227	3,523	-	-	66,877
Rent	13,982	2,941	215	3,126	1,220	-	-	21,484
Royalties	12,001	1,681	206	2,023	848	-	-	16,759
Advertising	9,233	1,500	130	2,320	735	-	(95)	13,822
Other operating expenses	28,530	6,303	353	7,625	2,494	-	(3)	45,301
Depreciation	5,174	1,119	79	2,856	747	-	(2)	9,973
Restaurant operating profit/(loss)	10,965	(1,795)	404	(2,930)	(195)	8,139	(8,040)	6,548
G&A expenses	7,404	2,025	78	2,353	732	9,035	(8,000)	13,628
Operating profit/(loss)	3,561	(3,819)	325	(5,283)	(927)	(896)	(40)	(7,081)
Finance costs	2,199	280	42	712	400	692	(1,377)	2,949
Finance income	995	2	-	0	-	532	(1,377)	152
Profit/(Loss) before tax	2,356	(4,098)	283	(5,995)	(1,327)	(1,057)	(40)	(9,878)
Income tax expense	257	8	42	46	-	34	-	386
Specific tax expense	392	180	-	-	52	-	-	624
Profit/(Loss) for the period	1,707	(4,285)	241	(6,040)	(1,379)	(1,091)	(40)	(10,887)
EBITDA	9,210	(2,520)	414	(2,382)	(170)	(747)	(44)	3,760
Normalized EBITDA	9,210	(2,520)	414	(2,382)	(170)	(747)	(44)	3,760

In Q1 2022, the like-for-like sales across Sphera brands grew 23.6% due to the relaxation of the restrictions across the markets of activity. The largest like-for-like increase was registered by KFC Italy, which grew 73% compared to Q1 2021, as well as ARS, which increased 45.3% vs. Q1 2021. Both entities were impacted by the dining restrictions in Q1 2021, particularly KFC Italy following the introduction in March 2021 of more strict lockdown measures in Italy, where only takeaway and delivery were allowed.

Between March 31st, 2021, and March 31st, 2022, Sphera opened 15 new restaurants – 14 in Romania and one new restaurant in Italy. The new locations helped the Group's performance, with ARS all store performance increasing 55.3%, CFF 48.2%, USFN Romania 23.6% and USFN Moldova 22.8%.

In case of Italy, the all-store performance (70.3% sales increase in Q1 2022 vs. Q1 2021) was below the same store performance (73% sales increase in Q1 2022 vs. Q1 2021) due to the fact that the increase of new store sales was lower than the increase registered by the same stores sales (KFC IT Roma - Pomezia, our first drive-thru store in Italy, was opened in February 2021, when Covid-19 restrictions were in place, restricting dine-in sales, these uplifting this store sales, the run rate in Q1 2021 being higher than Q1 2022, when dine-in sales have been allowed for all stores).

		Y/Y Q1-21	Y/Y Q2-21	Y/Y Q3-21	Y/Y Q4-21	Y/Y Q1-22
USFN	All Stores	14.3%	114.9%	42.8%	20.3%	23.6%
	o/w Same Stores	14.1%	112.4%	39.8%	14.3%	15.1%
ARS	All Stores	-32.6%	108.4%	71.4%	54.6%	55.3%
	o/w Same Stores	-32.6%	108.4%	71.0%	47.5%	45.3%
CFF	All Stores	13.1%	245.4%	62.8%	43.6%	48.2%
	o/w Same Stores	13.1%	204.4%	46.1%	26.4%	32.0%
USFN IT	All Stores	2.5%	114.5%	26.0%	88.0%	70.3%
	o/w Same Stores	-6.0%	102.7%	20.8%	79.2%	73.0%
USFN MD	All Stores	19.0%	179.3%	35.3%	22.3%	22.8%
	o/w Same Stores	19.0%	179.3%	35.3%	22.3%	22.8%
TOTAL	All Stores	6.6%	119.4%	43.6%	30.3%	31.8%
	o/w Same Stores	5.6%	114.9%	39.9%	23.5%	23.6%

Q1 2022 was the second-best quarter for the Group on the Romanian market since the onset of the pandemic and overall, in the history in terms of restaurant sales, as the revenues increased 27.9% YOY and 4.5% QOQ. Sales in Italy registered a 70.3% increase YOY due to the impact that restrictions had on the sales in Q1 2021, declining slightly QOQ yet still delivering the second-best quarter in history. Also, the Republic of Moldova continued to grow, in line with performance on other markets, 22.8% increase YOY, delivering the second-best quarter in history.

Data in RON '000	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Change Q1-22/Q1-21
Sales by region						
Romania	188,944	205,824	247,861	231,109	241,607	27.9%
Italy	19,693	24,469	33,108	36,872	33,545	70.3%
Rep. Moldova	2,791	2,823	3,206	3,608	3,427	22.8%
Total sales	211,428	233,116	284,175	271,589	278,579	31.8%

In Q1 2022, the sales for delivery declined slightly QOQ, from 30% to 28% as well as YOY, from 31% to 28%. Consequently, the total value of sales for delivery amounted to RON 78.5 million. Out of that amount, approximately 12% of sales were delivered by Sphera's own delivery capacity. Sphera has own delivery service in Romania for KFC and Pizza Hut, while for Taco Bell as well as for KFC in Italy and Republic of Moldova, the Group delivers exclusively through the food aggregating platforms such as Glovo, Food Panda, Takeaway, Tazz, Bolt or UBER Eats. Due to the weather conditions as well as restrictions on indoor dining that were still applicable across all markets of activity in January and February 2022, the share of delivery remained high. As the weather improves and indoor restrictions loosen, the share of the sale for delivery is estimated to decrease in Q2 2022 and is expected to remain below 30%.

Sales by entity, by Country		Q1-21	Q2-21	Q3-21	Q4-21	Q1-22
USFN RO	delivery	28%	27%	23%	30%	27%
	non-delivery	72%	73%	77%	70%	73%
ARS	delivery	57%	53%	42%	56%	49%
	non-delivery	43%	47%	58%	44%	51%
CFF	delivery	44%	42%	34%	42%	41%
	non-delivery	56%	58%	66%	58%	59%
USFN IT	delivery	25%	16%	11%	12%	14%
	non-delivery	75%	84%	89%	88%	86%
USFN MD	delivery	33%	35%	28%	37%	35%
	non-delivery	67%	65%	72%	63%	65%
All	delivery	31%	29%	24%	30%	28%
	non-delivery	69%	71%	76%	70%	72%

MAIN FINANCIAL RATIOS

The main financial ratios of Sphera Franchise Group (consolidated result) as of March 31st, 2022 are presented below, together with the result from the same period of 2021 (ratios are including IFRS 16 impact).

<i>Financial data in RON '000</i>	3M period ended 31 March 2022		3M period ended 31 March 2021	
Current ratio				
Current assets	171,075	= 0.59	144,489	= 0.62
Current liabilities	289,991		233,078	
Debt to Equity ratio				
Interest-bearing debt (long term)	333,737	= 387%	278,427	= 191%
Equity	86,151		146,031	
Interest-bearing debt (long term)	333,737	= 79%	278,427	= 66%
Capital employed	419,888		424,458	
Trade receivables turnover (days)				
Average receivables	33,265	= 10.75	16,730	= 7.12
Sales	278,579		211,428	
Fixed asset turnover				
Sales	278,579	= 0.54	211,428	= 0.43
Net fixed assets	515,629		496,382	

Notes: Annualized values, based on ASF methodology.

SIGNIFICANT EVENTS IN Q1 2022 & AFTER CLOSING OF THE REPORTING PERIOD

COVID-19 RELATED UPDATES

COVID-19 RESTRICTIONS

As of March 9th, 2022 Romania has lifted all the COVID-19 restrictions which have been in place since October 25th, 2021, which required the possession of the COVID-19 'Green Certificate' for any indoor access, to public institutions, banks, restaurants, cinemas, gyms, and shopping malls. Therefore, as of March 9th, 2022, both vaccinated and unvaccinated customers can enter shopping malls and restaurants.

The restrictions in Italy were loosed as of April 1st, 2022, and lifted as of May 1st, 2022. Until May 1st, 2022, to eat in the restaurants, the customers were obliged to hold a 'Super Green Pass' which proved full vaccination, including with a booster, or a recovery from COVID-19 within the last 6 months.

LEASES

There was a limited opportunity to renegotiate lease agreements in Q1 2022 therefore the renegotiations in the period were not substantial.

STAFF

As of March 31st, 2022, the Group had 4,784 employees, out of which 4,445 in Romania, 255 in Italy and 84 in the Republic of Moldova. COVID-19 pandemic put additional pressure on the HoReCa industry as many employees decided to requalify to other sectors. Consequently, in Q1 2022 the Group continued the project of hiring employees from abroad. So far, Sphera hired over 250 employees from Sri Lanka, with most of them currently working for USFN Romania, approximately 14% for Taco Bell and 12% for ARS.

In terms of technical unemployment indemnities, there were limited technical unemployment grants provided in Q1 2022, which amounted to RON 0.2 million.

HORECA AID IN ROMANIA

On December 30th, 2020, Emergency Ordinance 224/30.12.2020 was published that stipulates that companies from HoReCa sector can apply for a state aid in the amount that represents 20% of the loss of turnover in 2020 compared to 2019, capped at EUR 800,000 at Group level. The Group has received RON 1,313,600 for USFN Romania and RON 1,313,600 for ARS in two tranches, first one received in December 2021 and second received in January 2022.

BUSINESS AND CAPITAL MARKET RELATED UPDATES

DEVELOPMENT OF THE NETWORK

In Q1 2022, Sphera opened 4 new restaurants, out of which 2 restaurants were KFC - a food court restaurant in Colosseum Mall in Bucharest and a drive thru in Calarasi, within the Catex commercial center. The Group also opened a new Taco Bell restaurant in City Park Mall Constanta and a Pizza Hut Fast Casual Delivery restaurant in Militari Shopping Centre in Bucharest.

Consequently, as of 31.03.2022, Sphera operated 174 restaurants: 94 KFC restaurants in Romania, 2 in Moldova and 20 in Italy, as well as 14 Taco Bell restaurants, 42 Pizza Hut restaurants (of which 22 Pizza Hut and 20 Pizza Hut Delivery, of which 3 Fast Casual Delivery restaurant), 1 PHD subfranchise and 1 Paul restaurant in Romania.

GENERAL MEETING OF THE SHAREHOLDERS

On December 29th, 2021, the Board of Directors of Sphera Franchise Group convened the Ordinary General Meeting of the Shareholders for February 4th, 2022. During the OGSM, the shareholders elected a new Board of Directors consisting of Mr. Silviu-Gabriel Carmaciu, Mr. Mihai Ene, Mr. Lucian Hoanca, Mr. Razvan

Lefter and Mr. Georgios Repidonis. The mandate of the Board of Directors is until May 30th, 2023. On February 23rd, 2022, the Board appointed Mr. Lucian Hoanca as the Chairman of the Board.

In the same OGSM, the shareholders approved the dividend distribution amounting to RON 35,000,884.61 from the undistributed net profit of 2020, fixing a gross dividend per share at RON 0.9021. The ex-date was May 6th, 2022, registration date - May 9th, 2022, and the payment date is May 30th, 2022.

The shareholders have also approved the appointment of Ernst & Young Assurance Services S.R.L. as the statutory financial auditor of the Company, for a period of 3 years related to the financial years of 2022, 2023 and 2024.

INCLUSION IN THE FTSE GLOBAL MICROCAP

On February 18th, 2022, FTSE Russell announced that SFG shares will be included, as of March 21st, 2022, in the FTSE Russell indices for Emerging Markets, FTSE Global Micro Cap index. FTSE Global Micro Cap Index includes global micro-cap stocks, and it is suitable as the basis for investment products, such as funds, derivatives, and exchange-traded funds.

Inclusion in the FTSE index has been part of Sphera Franchise Group's strategy to increase the visibility of the company on an international arena as well as improve the daily liquidity of the shares.

JOINING UN GLOBAL COMPACT (UNGC)

On March 21st, 2022, Sphera Franchise Group informed the market about joining UN Global Compact, the largest corporate sustainability initiative in the world. By joining the UN Global Compact, Sphera Franchise Group committed to promoting the 10 principles of the UN Global Compact on human rights, labor standards, the environment, anti-corruption and to contribute to the achievement of the 17 Sustainable Development Goals included in the 2030 Sustainable Development Agenda by the United Nations.

As part of its sustainability strategy, the Group focuses on the most efficient management of ingredients, products, and packaging through measures such as: recycling of used oil in collaboration with companies specializing in biofuel production technology, selective collection of packaging in all restaurants, according to the legislation in force. Moreover, the Group's strategy aims to reduce energy consumption, carbon footprint, and implement internal programs to prevent food waste. Sphera Franchise Group also supports human rights by providing a work environment that promotes diversity and social inclusion, which are fully recognized and respected. The Group is one of the signatories of the Romanian Diversity Charter, upholding its principles to promote diversity, non-discrimination, inclusion, and equal opportunities in the workplace.

In the context of adherence to UN Global Compact, in 2022, the Group will continue to focus on sustainability and, mid this year, a new Sustainability Report for 2020 and 2021 will be published. Moreover, in Q1 2022, Sphera made its ESG rating by Sustainalytics public, at [BVB Research Hub](#).

GENERAL ORDINARY AND EXTRAORDINARY MEETINGS OF THE SHAREHOLDERS

On March 24th, 2022, the Board of Directors of Sphera Franchise Group convened the Ordinary and Extraordinary General Meeting of the Shareholders for April 28th, 2022. During the OGSM, the shareholders approved the 2021 financial statements as well the 2022 budget. The points on the OGSM agenda related to the remuneration, including the remuneration policy and the remuneration for the Board Members, as well as point on the EGSM agenda related to contracting a credit facility, were rejected.

The OGSM and EGSM were organized for the first time using the eVOTE solution, allowing the shareholders remote participation in the GSM, including option to cast votes beforehand or live, as well as ask questions in real time.

DECLARATION FROM THE MANAGEMENT

Bucharest, May 13th, 2022

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the three months period ended 31 March 2022 give a true and fair view of Sphera Franchise Group's assets, liabilities, financial position and profit and loss, as required by the applicable accounting standards, and that the Directors' Report gives a true and fair view of important events that have occurred during the first three months of the 2022 financial year and their impact on the interim condensed consolidated financial statements.

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

The interim condensed consolidated financial statements presented below are prepared in accordance with International Financial Reporting Standards, as adopted by European Union (“IFRS”).

The interim condensed consolidated financial statements are **unaudited**.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)
All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

	Note	Three-month period ended 31 March 2022	31 March 2021
Restaurant sales		278,579	211,428
Restaurant expenses			
Food and material expenses		97,814	69,498
Payroll and employee benefits	4	66,877	47,759
Rental expenses		6,292	3,237
Royalties expenses		16,759	12,618
Advertising expenses		13,822	8,994
Other operating expenses	5	45,301	31,383
Depreciation, amortization and impairment, net	7	23,610	22,680
Restaurant operating profit		8,103	15,260
General and administrative expenses	6	13,336	12,146
Profit/(Loss) from operating activities		(5,233)	3,114
Finance costs	8	4,803	6,090
Finance income		152	2
Profit/(Loss) before tax		(9,885)	(2,974)
Income tax expense/(credit) from continuing operations		366	135
Specific tax expense		624	-
Profit/(Loss)		(10,875)	(3,109)
Attributable to:			
Owners of the parent		(10,923)	(3,153)
Non-controlling interests		48	44
Other comprehensive income			
Net of tax exchange differences on translation		(24)	20
Comprehensive income		(10,899)	(3,090)
Attributable to:			
Owners of the parent		(10,942)	(3,123)
Non-controlling interests		43	34

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)
All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022 (UNAUDITED)

	31 March 2022	31 December 2021
Assets		
Non-current assets	543,200	540,873
Property, plant and equipment	228,716	222,069
Right-of-use assets	228,667	232,393
Intangible assets and goodwill	58,245	59,771
Financial assets (cash collateral)	8,550	7,554
Net deferred tax assets	19,021	19,086
Current assets	171,075	193,441
Inventories	12,865	13,391
Trade and other current receivables	35,910	30,621
Current prepayments	3,950	3,313
Cash and cash equivalents	118,350	146,116
Total assets	714,275	734,314
Equity and liabilities		
Equity		
Issued capital (Note 9)	581,990	581,990
Share premium	(519,998)	(519,998)
Other reserves	(1,314)	(1,314)
Retained earnings	25,533	71,457
Reserve of exchange differences on translation	(277)	(258)
Equity attributable to owners of the parent	85,934	131,877
Non-controlling interests	217	175
Total equity	86,151	132,052
Non-current liabilities	338,133	353,165
Long-term borrowings	134,895	146,110
Non-current lease liabilities	198,842	202,820
Recognised liabilities defined benefit plan (Note 4)	4,396	4,235
Current liabilities	289,991	249,097
Trade and other current payables	173,027	128,437
Short-term borrowings	62,641	66,479
Current lease liabilities	54,323	54,181
Total liabilities	628,124	602,262
Total equity and liabilities	714,275	734,314

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022
(UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022
(UNAUDITED)

	<u>Issued capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Reserve of exchange differences on translation</u>	<u>Equity attributable to owners of the parent</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
As at 1 January 2022	581,990	(519,998)	(1,314)	71,457	(258)	131,877	175	132,052
Profit/(Loss)	-	-	-	(10,923)	-	(10,923)	48	(10,875)
Comprehensive income								
Net of tax exchange differences on translation					(19)	(19)	(5)	(24)
Total comprehensive income	-	-	-	(10,923)	(19)	(10,942)	43	(10,899)
Dividends	-	-	-	(35,001)	-	(35,001)	-	(35,001)
At 31 March 2022	581,990	(519,998)	(1,314)	25,533	(277)	85,934	218	86,151

	<u>Issued capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Reserve of exchange differences on translation</u>	<u>Equity attributable to owners of the parent</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
As at 1 January 2021	581,990	(519,998)	(917)	88,033	(240)	148,868	252	149,120
Profit/(Loss)	-	-	-	(3,153)	-	(3,153)	44	(3,109)
Comprehensive income								
Net of tax exchange differences on translation					30	30	(10)	20
Total comprehensive income	-	-	-	(3,153)	30	(3,123)	34	(3,090)
Dividends	-	-	-	-	-	-	-	-
At 31 March 2021	581,990	(519,998)	(917)	84,880	(210)	145,745	286	146,031

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

	Three-month period ended	
	31 March	31 March
	2022	2021
Operating activities		
Profit/(Loss) before tax	(9,885)	(2,974)
<i>Adjustments to reconcile profit/(loss) before tax to net cash flows:</i>		
Depreciation of right-of-use assets	14,375	14,143
Depreciation and impairment of property, plant and equipment	9,519	8,542
Amortisation and impairment of intangible assets and goodwill	1,233	1,057
Movement in current assets allowance	-	170
Rent concessions (discounts)	-	(1,258)
Adjustments for unrealised foreign exchange losses/(gains)	(143)	2,994
Adjustments for gain/(loss) on disposal of property, plant and equipment and right-of-use assets	(3)	-
Adjustments for finance income	(152)	(2)
Adjustments for finance costs (interest)	4,525	3,532
Working capital adjustments:		
Adjustments to decrease/(increase) in trade and other receivables and prepayments	(6,923)	2,103
Adjustments for decrease/(increase) in inventories	526	1,276
Adjustments for (decrease)/increase in trade and other payables	13,606	(2,445)
Interest received classified as operating activities	152	2
Interest paid classified as operating activities	(4,319)	(3,514)
Income tax paid	(2,805)	(891)
Cash flows from/used in operating activities	19,706	22,734
Investing activities		
Purchase of intangible assets classified as investing activities	(1,624)	(231)
Purchase of property, plant and equipment classified as investing activities	(16,163)	(9,537)
Cash flows from/used in investing activities	(17,787)	(9,769)
Financing activities		
Proceeds from borrowings	-	-
Repayment of borrowings	(15,575)	(7,007)
Payment of lease liabilities	(14,121)	(11,041)
Cash flows from/used in financing activities	(29,696)	(18,048)
Net increase in cash and cash equivalents	(27,777)	(5,083)
Net foreign exchange differences	11	(97)
Cash and cash equivalents at 1 January	146,116	121,909
Cash and cash equivalents at 31 March	118,350	116,729

**SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)**

All amounts in RON thousand, unless specified otherwise

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR
THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)**

1 CORPORATE INFORMATION

These interim condensed 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". Sphera Franchise Group SA is listed on Bucharest Stock Exchange under the symbol "SFG".

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 Group operates quick service and takeaway restaurant concepts (a chain of 116 restaurants) under the Kentucky Fried Chicken ("KFC"), spread across Romania as well as in the Republic of Moldova and in Italy. The Group also operates in Romania a chain of pizza restaurants (22 restaurants as at 31 March 2022) as well as pizza delivery points (21 locations as at 31 March 2022, including one sub-franchise restaurant) under the Pizza Hut ("PH") and Pizza Hut Delivery ("PHD") brands, one chain of restaurants under the "Taco Bell" brand (14 restaurants as at 31 March 2022) and one restaurant under Paul brand.

US Food Network SA (USFN), the subsidiary which operates the KFC franchise in Romania was incorporated in 1994 as a joint stock company and is registered at No. 239 Calea Dorobantilor Street, Bucharest, Romania.

American Restaurant System SA (ARS) operating the Pizza Hut and Pizza Hut Delivery franchises was incorporated in 1994 as a joint stock company and is registered at No. 239 Calea Dorobantilor Street, Bucharest, Romania.

The Moldavian subsidiary, US Food Network SRL which operates the KFC franchise in Moldova, 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, US Food Network Srl operating the KFC franchise in Italy was incorporated in 2016 as a limited liability company and is registered at No. 5 Viale Francesco Restelli Street, Milano, Italy. The Group owns 100% of the company's shares.

California Fresh Flavors SRL (CFF) was set up on 19 June 2017 and operates Taco Bell franchise in Romania. Sphera owns 99.99% of the company's shares. The company operates as a limited liability company and is registered at No. 239 Calea Dorobanti, Bucharest, Romania.

2 BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed unaudited financial statements of the Group as of and for the three-month period ended 31 March 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting.

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. Accordingly, there may be rounding differences.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

The interim condensed consolidated financial statements for three-month period ended 31 March 2022 included in this report are unaudited.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

General accounting policies

The accounting policies and valuation methods adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021. The amendments effective since 1 January 2022 do not have a material impact on the Group's interim condensed consolidated financial statements. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Foreign currencies

The Group's interim condensed financial statements are presented in Romanian New Lei ("RON"), which is also the legal 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.

The exchange rate RON – EUR as at 31 March 2022 and 31 December 2021 were:

	31 March 2022	31 December 2021
RON – EUR	4.9466	4.9481
RON – USD	4.4508	4.3707
RON – MDL	0.2426	0.2463

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.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

3 GROUP INFORMATION

Investments in controlled companies

Details of the Group consolidated subsidiaries at 31 March 2022 and 31 December 2021 are as follows:

Company name	Country of incorporation	Field of activity	Control 31 March 2022	Control 31 December 2021
US Food Network SA	Romania	Restaurants	99.9997%	99.9997%
American Restaurant System SA	Romania	Restaurants	99.9997%	99.9997%
California Fresh Flavours SRL	Romania	Restaurants	99.9900%	99.9900%
US Foods Network SRL	Moldova	Restaurants	80.0000%	80.0000%
US Food Network SRL	Italy	Restaurants	100.0000%	100.0000%

4 PAYROLL AND EMPLOYEE BENEFITS

	Three-month period ended 31 March 2022	31 March 2021
Payroll and employee benefits recognized in restaurant expenses	66,877	47,759
Payroll and employee benefits recognized in "General and administrative expenses"	9,148	8,072
Total Payroll and employee benefits	76,026	55,831

For the three-month period ended 31 March 2022, payroll and employee benefits include government grants in total amount of 154 (919 for the three-months period ended 31 March 2021), as part of the supportive measures for the employee-related costs incurred by the companies affected by a temporary reduction and/or interruption of activity due to COVID-19 pandemic (i.e. technical unemployment indemnity).

Payroll costs of 441 representing the value of project management and other technical activities performed by the Group's employees during the three-month period ended 31 March 2022 (2021: 424) for the construction or refurbishment of restaurants were capitalized in the cost of construction of the non-current assets.

Net employee defined benefit liabilities (Italian subsidiary)

In accordance with the local labour regulations, Italian companies have to pay to their employees a leaving-service indemnity ("TFR"). The accrual for termination benefits in amount of 4,396 (4,235 as at 31 December 2021) was calculated as a career-average lump sum, in accordance with the Italian statutory regulations. The Group performs an actuarial computation of these termination benefits in line with the IAS 19 "Employee benefits".

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
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All amounts in RON thousand, unless specified otherwise

5 OTHER OPERATING EXPENSES

	Three-month period ended	
	31 March 2022	31 March 2021
Third-party services	23,486	18,684
Utilities	10,842	5,281
Maintenance and repairs	4,261	3,041
Cleaning supplies	2,469	1,002
Transport	2,009	1,195
Smallwares	663	641
Penalties related to development franchise agreement (Note 10)	-	367
Telephone and postage	319	243
Insurance	188	161
Bank charges	858	-
Net (gain)/loss on disposal of property, plant and equipment and right-of-use assets	(3)	-
Miscellaneous expenses and income	208	598
Provision for receivables	-	170
Total	45,301	31,383

Starting 1st of January 2022, the banking charges related to the POS commissions, in amount of 858 for the three month- period ended 31 March 2022, are presented within Other operating expenses category, being directly related to the operating sales activity. In 2021, these banking charges in amount of 529 for the three-month period ended 31 March 2021 were presented within General and administrative expenses category.

6 GENERAL AND ADMINISTRATIVE EXPENSES

	Three-month period ended	
	31 March 2022	31 March 2021
Payroll and employee benefits	9,148	8,072
Third-party services	1,695	1,311
Depreciation, amortization and impairment of non-current assets	1,516	1,062
Rent	55	72
Banking charges (Note 5)	196	1,027
Transport	259	149
Maintenance and repairs	96	67
Smallwares	34	21
Insurance	132	141
Advertising	29	35
Telephone and postage	81	73
Miscellaneous expenses and income	95	116
Total	13,336	12,146

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

7 DEPRECIATION AND AMORTIZATION

	Three-month period ended	Three-month period ended
	31 March	31 March
	2022	2021
Depreciation of right-of-use assets recognized in "Restaurant expenses"	13,706	13,785
Depreciation, amortization and impairment of other non-current assets recognized in "Restaurant expenses"	9,905	8,895
Depreciation, amortization and impairment recognized in "Restaurant expenses"	23,610	22,680
Depreciation of non-operating right-of-use assets recognized in "General and administrative expenses"	669	358
Depreciation, amortization and impairment non-current assets recognized in "General and administrative expenses"	847	704
Depreciation, amortization and impairment recognized in "General and administrative expenses"	1,516	1,062
Total depreciation, amortization and impairment	25,127	23,742

8 FINANCE COSTS

	Three-month period ended	Three-month period ended
	31 March	31 March
	2022	2021
Interest on loans and borrowings	2,297	1,360
Interest expense on lease liabilities	2,227	2,172
Interest cost on benefit obligation	2	3
Foreign exchange loss	276	2,555
Total finance costs	4,803	6,090

9 ISSUED CAPITAL

	31 March	31 December
	2022	2021
Authorised shares		
Ordinary shares of 15 RON each	38,799,340	38,799,340
Share capital (RON thousand)	581,990	581,990

The shareholders of Sphera Franchise Group SA as at 31 March 2022 are: Tatika Investments Ltd. (28.6089%), Computerland Romania SRL (20.5327%), Wellkept Group SA (16.3400%) and free float (34.5184%).

As at 31 December 2021, the shareholders structure was: Tatika Investments Ltd. (28.6089%), Computerland Romania SRL (20.5327%), Wellkept Group SA (16.3400%) and free float (34.5184%).

At the Ordinary General Shareholders Meeting held on February 4th, 2022, the shareholders of Sphera Franchise Group SA approved the distribution of dividends in total amount of RON 35,000,884.61 from the undistributed profit from 2020, fixing a gross dividend per share at RON 0.9021. The dividend payment date is May 30th, 2022.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

10 EBITDA

	Three-month period ended	
	31 March	31 March
	2022	2021
Operating profit/(loss)	(5,233)	3,114
Adjustments to bridge operating profit/(loss) to EBITDA:		
Depreciation, amortization and impairment of non-current assets included in restaurant expenses	23,610	22,680
Depreciation, amortization and impairment of non-current assets included in general and administrative expenses	1,516	1,062
EBITDA	19,893	26,856
Normalization adjustments	-	367
Normalised EBITDA	19,893	27,223

For the three-month period ended 31 March 2022, no EBTDA normalization adjustment was required.

For the three-month period ended 31 March 2021, EBITDA was normalized to exclude the accrued penalties due to Pizza Hut Europe (Master Franchisor - YUM!) for the restaurants committed to be opened in 2019 and postponed for the future periods. The revised development agreement was signed by the Group in August 2021.

11 RELATED PARTY DISCLOSURES

During the three-month period ended 31 March 2022 and 31 March 2021 respectively, the Group has carried out transactions with the following related parties:

<u>Related party</u>	<u>Nature of the relationship</u>	<u>Country of incorporation</u>	<u>Nature of transactions</u>
Moulin D'Or SRL	Entity affiliated to shareholders of the parent	Romania	Goods and services
Midi Development SRL	Entity with common members of key management personnel	Romania	Services
Grand Plaza Hotel SA	Entity affiliated to a shareholder of the parent	Romania	Rent and utilities store PH Dorobanti
Arggo Software Development and Consulting SRL	Entity affiliated to a shareholder of the parent	Romania	Implementation services, IT services
Lunic Franchising and Consulting LTD	Shareholder of the parent until January 2022	Cyprus	Payment of dividends
Wellkept Group SA	Shareholder	Romania	Rent training center and payment of dividends
Tatika Investments Ltd.	Shareholder	Cyprus	Payment of dividends
Computerland Romania SRL	Shareholder	Romania	Payment of dividends, acquisition of IT equipment
Cinnamon Bake&Roll SRL	Entity with common members of key management personnel	Romania	Goods and services, loans provided
Lucian Vlad	Beneficial owner of Lunic Franchising and Consulting Ltd.	Romania	Rent store KFC Mosilor
Radu Dimofte	Beneficial owner of Wellkept Group SA, Tatika Investments	Romania	Rent store KFC Mosilor

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
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All amounts in RON thousand, unless specified otherwise

Related party	Nature of the relationship	Country of incorporation	Nature of transactions
Elicom SRL	Ltd and ultimate beneficiary owner of the parent Entity affiliated to a shareholder of the parent	Romania	Call-centre services
Elicom Connect SRL	Entity affiliated to a shareholder of the parent	Romania	Marketing services
Dorobanti 239 Imobiliare SRL	Entity affiliated to a shareholder of the parent	Romania	Rent and utilities for restaurant and administrative area
Baneasa Developments SRL	Entity affiliated to a shareholder of the parent	Romania	Restaurant rent
Baneasa Investments SA	Entity affiliated to a shareholder of the parent	Romania	Restaurant rent
Fundatia Advance	Entity with common members of key management personnel	Romania	Sale of goods

The following table provides the total amount of transactions that have been entered into with related parties for the relevant period:

	Transactions during the three-month period ended 31 March 2022		Balances as at 31 March 2022	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Cinnamon Bake&Roll SRL	6	-	-	-
Lucian Vlad	-	56	-	37
Radu Dimofte	-	23	-	15
Wellkept Group SA	-	107	-	3
Midi Development SRL	-	-	-	-
Grand Plaza Hotel SA	-	271	66	26
Arggo Software Development and Consulting SRL	-	337	-	47
Elicom SRL	-	167	-	68
Elicom Connect SRL	-	3	-	2
Dorobanti 239 Imobiliare SRL	-	822	-	22
Baneasa Developments SRL	-	998	-	284
Baneasa Investments SA	-	155	128	14
Computerland Romania SRL	4	-	3	1
	10	2,939	197	519

SPHERA FRANCHISE GROUP SA
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MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

	Transactions during the three-month period ended 31 March 2021		Balances as at 31 December 2021	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Cinnamon Bake&Roll SRL	-	-	-	-
Moulin D'Or SRL	-	13	-	-
Lucian Vlad	-	55	-	-
Radu Dimofte	-	23	-	-
Wellkept Group SA	-	117	-	4
Midi Development SRL	-	-	-	2
Grand Plaza Hotel SA	-	184	66	22
Arggo Software Development and Consulting SRL	-	534	-	71
Elicom SRL	-	203	-	96
Elicom Connect SRL	-	3	-	2
Dorobanti 239 Immobiliare SRL	-	809	-	2
Baneasa Developments SRL	-	766	-	408
Baneasa Investments SA	-	48	128	-
Computerland Romania SRL	-	-	-	-
Fundatia Advance	-	-	-	-
	-	2,755	194	607

The Group has granted a loan to Cinnamon Bake&Roll SRL. The loan balance as at 31 March 2022 was of 536 (31 December 2021: 529) and the interest accrual as at 31 March 2022 was of 73 (31 December 2021: 71).

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 three-month period ended 31 March 2022 and for similar period of the year 2021, 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:

	Three months ended	
	31 March 2022	31 March 2021
Short-term employee benefits	2,837	2,201
Total compensation of the key management personnel	2,837	2,201

The amounts disclosed in the table are the amounts recognized as an expense during each reporting period.

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All amounts in RON thousand, unless specified otherwise

12 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the restaurants' brands, as follows:

- KFC restaurants
- Pizza Hut restaurants
- Taco Bell restaurants

The Group has also one more immaterial operating segment, being one Paul restaurant, which is managed by USFN.

The parent-company's revenues from services rendered to its subsidiaries are presented in the "Inter-segment revenues" line and eliminated during consolidation.

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 consolidated financial statements.

Three-month period ended 31 March 2022	KFC	Pizza Hut	Taco Bell	Other	Eliminations	Consolidated
Revenues from external customers	236,155	28,353	14,071	-	-	278,579
Inter-segment revenues	-	-	-	8,139	(8,139)	-
Dividend revenues	-	-	-	-	-	-
Operating expenses	235,925	32,063	14,937	8,986	(8,100)	283,811
Segment operating profit/(loss)	227	(3,710)	(866)	(847)	(39)	(5,233)
Finance costs	4,299	381	396	733	(1,006)	4,803
Finance income	624	2	-	532	(1,006)	152
Income tax expense	324	8	-	34	-	366
Specific tax expense	392	180	52	-	-	624
Profit/(Loss)	(4,162)	(4,276)	(1,314)	(1,083)	(40)	(10,875)
Total assets	575,594	64,741	42,590	108,695	(77,345)	714,275
Total liabilities	527,719	68,001	47,459	120,351	(135,406)	628,124

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All amounts in RON thousand, unless specified otherwise

Three-month period ended 31 March 2021	KFC	Pizza Hut	Taco Bell	Other	Eliminations	Consolidated
Revenues from external customers	183,678	18,254	9,496	-	-	211,428
Inter-segment revenues	-	-	-	7,396	(7,396)	-
Dividend revenues	-	-	-	-	-	-
Operating expenses	175,859	21,955	10,153	7,701	(7,354)	208,314
Segment operating profit/(loss)	7,819	(3,701)	(657)	(305)	(42)	3,114
Finance costs	4,805	780	673	614	(782)	6,090
Finance income	512	3	-	268	(782)	2
Income taxes	35	-	-	100	-	135
Specific tax expense	-	-	-	-	-	-
Profit/(Loss)	3,491	(4,478)	(1,330)	(751)	(42)	(3,109)
Total assets 31 March 2021	556,953	57,850	35,714	129,497	(117,569)	662,445
Total liabilities 31 March 2021	506,185	66,428	48,561	63,748	(168,508)	516,413
Total assets 31 December 2021	612,503	66,178	41,957	137,151	(123,475)	734,314
Total liabilities 31 December 2021	560,441	81,494	57,841	84,063	(181,577)	602,262

Geographic information:

	Three-month period ended	
Revenue from external customers	31 March 2022	31 March 2021
Romania	241,607	188,944
Italy	33,545	19,693
Republic of Moldova	3,427	2,791
Total restaurant revenue	278,579	211,428

The revenue information above is based on the location of the customers.

Bucharest, May 13th, 2022

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes