

Q1 2023

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



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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, 2023 **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.

NOTE: 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 included in this report are provided financial results both including, as well as excluding the impact of IFRS 16.

ISSUER INFORMATION

INFORMATION ABOUT THIS FINANCIAL REPORT

Type of report	Quarterly Report for Q1
For financial period	01.01.2023 – 31.03.2023
Date of publishing	15.05.2023
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

CONTACT DETAILS FOR INVESTORS

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FINANCIAL RESULTS HIGHLIGHTS

Sales per geography



Sales per brand



RON 27.4 mn

restaurant operating profit,
+318% vs Q1 2022

6pp

decrease in share of restaurant expenses in total sales in Q1 2023, down to 91.8%

RON 23.5 mn

EBITDA,
+526% vs Q1 2022

19%

share of delivery orders in total sales in Q1 2023, 9pp decrease YoY

RON 7.3 mn

net profit, vs net loss of RON 10.9 million in Q1 2022

2

new restaurants opened in Q1 2023; out of which one in partnership with Rompetrol

Q1 2023 RESULTS ANALYSIS

Q1 is usually a slow period for the food service industry due to the post-holiday season slowdown. Despite the usual business cyclicality and the more challenging economic context of high inflation, the Group started 2023 strong, with the consolidated sales in Q1 2023 reaching RON 335.1, a 20.3% increase vs Q1 2022 when the Group saw revenues of RON 278.6 million. Sales in Romania contributed to the total revenues with RON 289.2 million, registering a 19.7% increase in Q1 2023 vs Q1 2022, Italy with RON 40.9 million, a 22.1% increase, while the Republic of Moldova contributed with RON 4.9 million, a 42.7% increase. The contribution to the total performance remained comparable to the same period of 2022, with Romania contributing 86.3% to total sales, Italy – 12.2% and the Republic of Moldova - 1.5%

Data in RON '000	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Change Q1-23/Q1-22
Sales by region						
Romania	241,607	284,592	297,301	315,594	289,218	19.7%
Italy	33,545	38,768	45,512	48,510	40,951	22.1%
Rep. Moldova	3,427	4,086	4,757	5,123	4,891	42.7%
Total sales	278,579	327,445	347,570	369,228	335,060	20.3%

Analyzing performance per brand, sales of KFC appreciated 20.3% in Q1 2023 vs Q1 2022, delivering RON 284.1 million in revenues, Pizza Hut increased 10%, contributing RON 31.2 million, while Taco Bell grew 40.6%, registering revenues of RON 19.8 million in the first three months of 2023. Similar to the geographical split, the contribution to the total turnover by individual brands remained comparable in Q1 2023 to Q1 2022, with KFC bringing 84.8% of sales, Pizza Hut – 9.3% and Taco Bell – 5.9%.

After a challenging 2022, restaurant expenses weight in sales decreased with 6pp reaching 91.8% in Q1 2023 vs 97.6% in Q1 2022. In Q1 2023, the increase of 13.1% YoY in the restaurant expenses was lower than the increase in restaurant sales of 20.3%. The food and material costs rose 15.6% YoY to RON 113 million, lower than the inflation for food products at national level.

Company's efforts to motivate and secure its employee base are reflected in the 16.5% increase in Payroll and employee benefits in Q1 2023 vs Q1 2022, reaching RON 77.9 million, mirroring the labor market evolution. Complementary, the number of employees increased from 5,184 (as of March 31st, 2022) to 5,467 (March 31st, 2023) sustaining the continuing network evolution. The rent increased 14.5% YoY in Q1 2023 to RON 24.6 million due to a larger restaurant footprint, reflecting the rent contract variable structure in line with the sales increase; however, the weight in sales decreased with 0.4 pp in Q1 2023 vs Q1 2022. Royalties increased in line with the sales, reaching RON 20 million, a 19.2% increase, while advertising increased by 15.1% to RON 15.9 million, again aligned with the topline growth. Other operating expenses amounted to RON 46.1 million, almost in line with the similar period of last year due to the stabilization of the third-party and utility costs, which are the biggest contributor to this category. This position also includes aggregator commissions, which decreased by 12.5% in Q1 2023 due to a lower share of sales for delivery compared to Q1 2022 (RON 11.5 million in Q1 2023 vs RON 13.2 million in Q1 2022).

Due to the correct price increase strategy rolled out throughout 2022, the group ended Q1 2023 with a restaurant operating profit of RON 27.4 million, a 317.8% increase compared to Q1 2022. The weight in sales of the G&A expenses decreased with 0.4 pp in Q1 2023 vs Q1 2022, reaching RON 15 million in Q1 2023. The operating result turned positive in Q1 2023 to RON 12.4 million vs the operating loss of RON 7.1 million registered in Q1 2022. The EBITDA amounted to RON 23.5 million in Q1 2023, a 525.6% increase compared to Q1 2022.

The net finance costs decreased by 24.6% in Q1 2023 v Q1 2022, reaching RON 2.1 million vs RON 2.8 million in Q1 2022. The profit before tax for Q1 2023 amounted RON 10.3 million vs a gross loss of RON 9.9 million in Q1 2022. The tax expense amounted to RON 2.9 million in Q1 2023 vs RON 1 million in Q1 2022, as a result of the change in tax regime applicable for HORECA companies starting January 1st, 2023. Consequently, the Group ended Q1 2023 with a net profit of RON 7.3 million, vs a net loss of RON 10.9 million registered in Q1 2022.

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

Data in RON'000	Q1-23	Q1-22	Y/Y % Q1-23/Q1-22	% of Sales		Δ%
				Q1-23	Q1-22	
Restaurant sales	335,060	278,579	20.3%			
Restaurant expenses	307,705	272,031	13.1%	91.8%	97.6%	-5.8%
Food and material	113,047	97,814	15.6%	33.7%	35.1%	-1.4%
Payroll and employee benefits	77,895	66,877	16.5%	23.2%	24.0%	-0.8%
Rent	24,605	21,484	14.5%	7.3%	7.7%	-0.4%
Royalties	19,983	16,759	19.2%	6.0%	6.0%	-0.1%
Advertising	15,911	13,822	15.1%	4.7%	5.0%	-0.2%
Other operating expenses	46,136	45,301	1.8%	13.8%	16.3%	-2.5%
Depreciation and amortization	10,128	9,973	1.6%	3.0%	3.6%	-0.6%
Restaurant operating profit	27,355	6,548	317.8%	8.2%	2.4%	5.8%
General & Admin expenses	14,990	13,628	10.0%	4.5%	4.9%	-0.4%
Operating Profit/(Loss)	12,365	(7,081)	-	3.7%	-2.5%	6.2%
Finance costs	3,051	2,949	3.5%	0.9%	1.1%	-0.1%
Finance income	942	152	521.3%	0.3%	0.1%	0.2%
Profit/(Loss) before tax	10,255	(9,878)	-	3.1%	-3.5%	6.6%
Income tax expense	2,911	386	655.2%	0.9%	0.1%	0.7%
Specific Tax	-	624	-100.0%	0.0%	0.2%	-0.2%
Profit/(Loss) for the period	7,344	(10,887)	-	2.2%	-3.9%	6.1%
Normalized Profit/(Loss) for the year	7,344	(10,887)	-	2.2%	-3.9%	6.1%
EBITDA	23,523	3,760	525.6%	7.0%	1.3%	5.7%
Normalized EBITDA	23,523	3,760	525.6%	7.0%	1.3%	5.7%

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

Data in RON'000	Q1-23		Q1-22		Change (%)	
	1	2	1	2	Q1-23/ Q1-22 (1)	Q1-23/ Q1-22 (2)
Restaurant sales	335,060	335,060	278,579	278,579	20.3%	20.3%
Restaurant expenses	304,563	307,705	270,476	272,031	12.6%	13.1%
Food and material	113,047	113,047	97,814	97,814	15.6%	15.6%
Payroll and employee benefits	77,895	77,895	66,877	66,877	16.5%	16.5%
Rent	7,629	24,605	6,292	21,484	21.2%	14.5%
Royalties	19,983	19,983	16,759	16,759	19.2%	19.2%
Advertising	15,911	15,911	13,822	13,822	15.1%	15.1%
Other operating expenses	46,136	46,136	45,301	45,301	1.8%	1.8%
Depreciation and amortization	23,840	10,128	23,610	9,973	1.0%	1.6%
Restaurant operating Profit / (Loss)	30,618	27,355	8,103	6,548	277.9%	317.8%
General & Admin expenses	14,755	14,990	13,336	13,628	10.6%	10.0%
Operating Profit/(Loss)	15,863	12,365	(5,233)	(7,081)	-	-
Finance costs	6,467	3,051	4,803	2,949	34.6%	3.5%
Finance income	942	942	152	152	521.3%	521.3%
Profit/(Loss) before tax	10,338	10,255	(9,885)	(9,878)	-	-
Income tax expense	2,916	2,911	366	386	697.5%	655.2%
Specific Tax	-	-	624	624	-100.0%	-100.0%
Profit/(Loss) for the period	7,422	7,344	(10,875)	(10,887)	-	-
Normalized Profit/(Loss) for the year	7,422	7,344	(10,875)	(10,887)	-	-
EBITDA	41,494	23,523	19,893	3,760	108.6%	525.6%
Normalized EBITDA	41,494	23,523	19,893	3,760	108.6%	525.6%

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

G&A expenses increased by 10% compared to Q1 2022. However, as a percentage of sales, G&A expenses decreased from 4.9% in Q1 2022 to 4.5% in Q1 2023. Payroll and employee benefits accounted for 67.8% of total G&A expenses, with a total value of RON 10.2 million, an 11.1% YoY increase, lower than the inflation rate. Third-party services increased 0.9% YoY and accounted for 11.4% of total G&A expenses, with a total value of RON 1.7 million. Rent increased 5.9% to RON 1.1 million (7% of total G&A expenses), while depreciation and amortization increased 18.8% to RON 1 million (6.9% of total G&A costs).

	Data in RON '000				Change (%)		Percentage of sales			
	Q1-23	Q1-23	Q1-22	Q1-22	2023/ 2022		Q1-23	Q1-23	Q1-22	Q1-22
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
General and administration (G&A) expenses	14,755	14,990	13,336	13,628	10.6%	10.0%	4.4%	4.5%	4.8%	4.9%
Payroll and employee benefits	10,168	10,168	9,148	9,148	11.1%	11.1%				
Third-party services	1,710	1,710	1,695	1,695	0.9%	0.9%				
Depreciation and amortization	1,791	1,030	1,516	868	18.1%	18.8%				
Rent	59	1,054	55	996	7.3%	5.9%				
Banking charges	189	189	196	196	-3.9%	-3.9%				
Transport	300	300	259	259	16.0%	16.0%				
Other*	538	538	466	466	15.4%	15.5%				

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.

The restaurant operating profit for the Group companies has seen a significant increase of 317.8% from RON 6.5 million in Q1 2022 to RON 27.4 million in Q1 2023. This growth is attributed to improved performance across all brands, with particularly strong contributions from USFN Romania (KFC Romania: RON 24.2 million, +120.8% vs Q1 2022), USFN Moldova (KFC Moldova: RON 0.7 million, +66.5% vs Q1 2022), USFN Italy (KFC Italy: RON 2.1 million, vs restaurant operating loss of RON 2.9 million) and CFF (Taco Bell: RON 0.4 million, vs restaurant operating loss of RON 0.2 million). Moreover, ARS also significantly reduced its restaurant operating loss in Q1 2023 by 90.2%, almost reaching breakeven point.

Similarly, the EBITDA has followed a positive evolution, increasing from RON 3.8 million in Q1 2022 to RON 23.5 million in Q1 2023, a remarkable growth of 525.6%. This improvement can be mainly attributed to effective cost-control measures taken by the companies, leading to the increase in restaurant operating profit. Like restaurant operating profit evolution, USFN Italy and CFF have taken EBITDA from negative, as reported in Q1 2022, to positive territory in Q1 2023. Moreover, USFN Romania managed to increase EBITDA by 133.3% YoY, while ARS, despite having negative EBITDA, reduced the loss by RON 1.7 million. The EBITDA margin varied per brand, with USFN Moldova having the highest margin of 13.1%, followed by USFN Romania - 9%, USFN Italy - 5%, CFF - 2%.

Finally, the net profit for the Group significantly increased from a net loss of RON 10.9 million in Q1 2022 to a net profit of RON 7.3 million in Q1 2023. This turnaround can be attributed to the strong performance of USFN Romania and USFN Moldova, which together registered a combined net profit of RON 12.1 million, along with the cost control measures implemented all across the Group.

Breakdown of consolidated results by Group companies – Q1 2023 (excluding IFRS 16 Impact):

Data in RON'000	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons. Adj.	SFG Cons
Restaurant sales	238,245	31,185	4,891	40,951	19,788	9,518	(9,518)	335,060
Restaurant expenses	214,030	31,360	4,219	38,831	19,369	0	(104)	307,705
Food and material	83,362	8,741	2,168	11,605	7,170	-	2	113,047
Payroll and employee benefits	53,739	8,784	768	10,039	4,566	-	-	77,895
Rent	16,488	2,897	266	3,494	1,460	-	-	24,605
Royalties	14,195	1,836	291	2,445	1,216	-	-	19,983
Advertising	10,950	1,491	164	2,480	925	-	(99)	15,911
Other operating expenses	29,837	6,437	483	6,201	3,180	-	(2)	46,136
Depreciation	5,459	1,174	79	2,567	854	-	(5)	10,128
Restaurant operating profit/(loss)	24,215	(175)	672	2,120	419	9,518	(9,415)	27,355
G&A expenses	8,771	1,993	120	2,676	935	9,873	(9,378)	14,990
Operating profit/(loss)	15,444	(2,169)	552	(556)	(516)	(355)	(36)	12,365
Finance costs	2,181	163	11	651	388	892	(1,235)	3,051
Finance income	1,007	8	-	0	-	1,163	(1,235)	942
Profit/(Loss) before tax	14,270	(2,324)	541	(1,206)	(905)	(84)	(36)	10,255
Income tax expense	2,649	(61)	88	45	43	148	-	2,911
Specific tax expense	-	-	-	-	-	-	-	-
Profit/(Loss) for the period	11,621	(2,264)	453	(1,251)	(947)	(232)	(36)	7,344
Normalized Profit/(Loss) for the year	11,621	(2,264)	453	(1,251)	(947)	(232)	(36)	7,344
EBITDA	21,489	(818)	640	2,040	389	(174)	(43)	23,523
Normalized EBITDA	21,489	(818)	640	2,040	389	(174)	(43)	23,523

In Q1 2023, the like-for-like sales across Sphera brands grew 18.3%, with the most significant like-for-like increase registered by USFN Moldova, which grew 42.7% compared to Q1 2022, as well as CFF, which increased 27.7 % vs Q1 2022, followed by USFN Italy, where sales increased 22.1%, USFN Romania, which grew 18% and ARS, which saw 8.7% increase in same store performance.

Between March 31st, 2022, and March 31st, 2023, Sphera opened 6 new restaurants – 4 KFC, 1 PH Express and 1 Taco Bell restaurant in Romania, with the new openings being offset by the closing of 3 non-performing unit (2 KFC units in Italy in January 2023 and 1 Pizza Hut unit in April 2022). The new locations helped the Group's performance, most notably Taco Bell, where all store performance increased by 40.6% while USFN Romania improved by 19.6%. Also, Pizza Hut's all store performance, which includes sales registered by the newly opened units in 2022, improved by 10%.

		Y/Y Q1-22	Y/Y Q2-22	Y/Y Q3-22	Y/Y Q4-22	Y/Y Q1-23
USFN RO	All Stores	23.6%	37.3%	20.1%	35.0%	19.6%
	o/w Same Stores	21.6%	34.3%	17.6%	31.5%	18.0%
ARS	All Stores	55.3%	45.5%	15.1%	38.5%	10.0%
	o/w Same Stores	52.8%	42.1%	11.1%	34.2%	8.7%
CFF	All Stores	48.2%	39.6%	27.3%	56.3%	40.6%
	o/w Same Stores	46.4%	31.7%	17.3%	41.1%	27.7%
USFN IT	All Stores	70.3%	58.4%	37.5%	31.6%	22.1%
	o/w Same Stores	70.3%	58.4%	37.5%	31.6%	22.1%
USFN MD	All Stores	22.8%	44.8%	48.3%	42.0%	42.7%
	o/w Same Stores	22.8%	44.8%	48.3%	42.0%	42.7%
TOTAL	All Stores	31.8%	40.5%	22.3%	35.9%	20.3%
	o/w Same Stores	29.9%	37.5%	19.6%	32.4%	18.3%

In Q1 2023, the sales for delivery were in line with Q4 2022 share, and decreased significantly, with 9pp, YoY, reflecting the post-pandemic realities, in line with the management's expectations. Consequently, the total value of sales for delivery in Q1 2023 amounted to RON 64.4 million, a 17.6% decrease vs RON 78.1 million registered in Q1 2022. Out of RON 64.4 million, approximately 11% of sales were delivered by Sphera's own delivery capacity. Sphera has its own delivery service in Romania for KFC and Pizza Hut, while for Taco Bell as well as for KFC in Italy and the Republic of Moldova, the Group delivers exclusively through food aggregating platforms such as Glovo, Tazz, Bolt, Deliveroo, Straus, iFood, UBER Eats, Just Eat.

Sales by entity, by Country		Q1-22	Q2-22	Q3-22	Q4-22	Q1-23
USFN RO	delivery	27%	20%	16%	16%	18%
	non-delivery	73%	80%	84%	84%	82%
ARS	delivery	49%	40%	38%	39%	36%
	non-delivery	51%	60%	62%	61%	64%
CFF	delivery	41%	32%	26%	27%	30%
	non-delivery	59%	68%	74%	73%	70%
USFN IT	delivery	14%	12%	9%	10%	8%
	non-delivery	86%	88%	91%	90%	92%
USFN MD	delivery	35%	31%	31%	29%	31%
	non-delivery	65%	69%	69%	71%	69%
All	delivery	28%	22%	18%	18%	19%
	non-delivery	72%	78%	82%	82%	81%

MAIN FINANCIAL RATIOS

The main financial ratios of Sphera Franchise Group (preliminary consolidated result) as of March 31st, 2023, are presented below, together with the result as of March 31st, 2022. All the ratios are including IFRS 16 impact.

<i>Financial data in RON '000</i>	3M Period ended 31.03.2023		3M Period ended 31.03.2022	
Current ratio				
Current assets	145,389	= 0.58	171,075	= 0.59
Current liabilities	250,664		289,991	
Debt to Equity ratio				
Interest-bearing debt (long term)	322,735	= 261%	333,737	= 387%
Equity	123,823		86,151	
Interest-bearing debt (long term)	322,735	= 72%	333,737	= 79%
Capital employed	446,559		419,888	
Trade receivables turnover (days)				
Average receivables	18,612	= 5.00	33,265	= 10.75
Sales	335,060		278,579	
Fixed asset turnover				
Sales	335,060	= 2.55	278,579	= 2.16
Net fixed assets	525,228		515,629	

Notes: Annualized values, based on the ASF methodology.



Q1 2023 Results Call

15.05.2023 | 14:00 hrs

On May 15th, at 14:00 Bucharest time (12:00 CET | 13:00 UK), Sphera Franchise Group will hold a conference call with the management to discuss the Q1 2023 results. The call will be attended by Calin Ionescu (CEO), Valentin Budes (CFO), Monica Eftimie (CMO), and Zuzanna Kurek (IR).

The call will be held in **English**. To receive the log-in details, please email investor.relations@spheragroup.com.

SIGNIFICANT EVENTS IN Q1 2023 & AFTER CLOSING OF THE REPORTING PERIOD

BUSINESS UPDATES

DEVELOPMENT OF THE NETWORK

In Q1 2023, Sphera opened 2 new restaurants – 2 KFC drive-thru units in Romania. One of them is located within Rompetrol gas station on the A1 highway, namely KFC Orastie (km. 340+500) and another one, a food court location in Giurgiu Shopping Park. At the same time, in January 2023, two KFC stores in Italy were closed, KFC Verona Corso Milano and KFC Torino Moncalieri.

As of 31.03.2023, Sphera Franchise Group operated 177 restaurants: 98 KFC restaurants in Romania, 2 in Moldova and 18 in Italy, as well as 42 Pizza Hut restaurants, 15 Taco Bell restaurants, one PHD subfranchise and one Paul restaurant.

STAFF

As of March 31st, 2023, the Group had 5,467 employees, of which 4,978 were in Romania, 406 in Italy and 83 in the Republic of Moldova. In Q1 2023, the Group continued the process of digitalizing its network through further deployment of digital kiosks to simplify the selling process, as well as carried on with the project of hiring employees from abroad. So far, Sphera has over 200 employees from Sri Lanka, most of them currently working for USFN Romania.

FISCAL UPDATES

Starting from January 1, 2023, the specific tax for HORECA is no longer available in Romania and has been replaced by the profit tax or tax on micro-company income, at the companies' choice. Consequently, US Food Network SA opted for payment of micro-company tax (in the amount of 1% of the turnover), while American Restaurant System SA and California Fresh Flavors SRL opted for profit tax.

GOVERNANCE UPDATES

REPORT ON THE RISKS AND OPPORTUNITIES ASSOCIATED WITH CLIMATE CHANGE

On February 9th, 2023, Sphera Franchise Group published the report on the risks and opportunities associated with climate change, voluntarily prepared by the Group, in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures – TCFD. The report complements the efforts of the Group's Sustainability Strategy and is structured on TCFD's four pillars: governance (the Board of Directors oversees the implications arising from the problems generated by climate change), strategy (analysis of climate-related scenarios to assess the potential impact of those significant risks on the business under hypothetical climate conditions), risk management (identifying financial and non-financial risks) and objectives and performance indicators (the annual calculation of direct and indirect carbon emissions). The TCFD report can be consulted on the Group's website, [HERE](#).

GENERAL MEETING OF THE SHAREHOLDERS

On March 24th, 2023, the Board of Directors of Sphera Franchise Group convened the Ordinary and Extraordinary General Meeting of the Shareholders for April 27th, 2023. During the OGSM, the shareholders approved the 2022 financial statements, the 2022 remuneration report and the 2023 budget, as detailed below. The shareholders moreover elected a new Board of Directors for the 2023-2027 mandate, consisting of Mr. Silviu-Gabriel Carmaciu, Mr. Mihai Ene, Mr. Lucian Hoanca, Mr. Razvan Lefter and Mr. Georgios Repidonis and approved the monthly remuneration granted to the Board Members. The shareholders also voted in the OGSM the Share Option Plan (SOP) for Directors for the activity in 2021 and 2022. In EGSM, the shareholders approved the acquisition of SFG shares for the implementation of SOP.

The OGSM and EGSM were organized using the eVOTE solution, allowing the shareholders remote participation, including option to the cast votes beforehand and to ask questions virtually, in real-time.

2023 BUDGET

The budget approved in the annual OGSM from April 27th, 2023 was based on information available as of end of Q1 2023, under presumption of a normal course of business and considering that the overall inflation will be around 10% in 2023. The budget also takes into consideration the increase of the minimum wage starting with January 2023.

For 2023, the Group estimates that the restaurant sales will increase with 21% compared to 2022, due to a combined effect of same stores sales growth and new stores sales. In 2023, the traditional channels will have an increased weight vs previous year. Consequently, the delivery channel will represent around 18% of sales. In respect to restaurant operational expenses, the assumed tempered increase of food and material costs in 2023 will contribute to the improvement of the gross margin of 1.6pp vs previous year. The costs of labor will be calibrated to match the ramp-up of the sales throughout the year. Energy cost is assumed to be predictable and in line with the regulations introduced last year, in 2022. The weight of the normalized G&A expenses in total sales in 2023 shall be lower than in 2022, due to inelasticity of these costs in relation with activity volume increase. The company aims to achieve a normalized net profit higher with 88.3% than the one realized in 2022, significantly above the estimated increase in sales (+21%).

In terms of development, the Group plans to open 10 restaurants (8 KFCs in Romania and 2 Taco Bells), with an estimated CAPEX of approximately EUR 6.8 million. Store remodeling and the implementation of digital solutions are assumed around EUR 3.8 million.

Taking into consideration all the aspects mentioned above, the Group estimates an increase in free cash flow of 28% vs the result from 2022. The Group estimates the cash position available at the end of 2023 to be around RON 90 million, while the bank debt is estimated to be around RON 190 million with a net bank debt of RON 100 million.

Indicator	Budget 2023		2022		Budget 2023 vs 2022 %
	RON mn	% Sales	RON mn	% Sales	
Restaurant Sales (*)	1,600.3	100.0%	1,322.8	100.0%	21.0%
Other Income	-	-	1.2	-	-
Food and Material	526.2	32.9%	457.1	34.6%	15.1%
Restaurant Gross Margin	1,074.0	67.1%	866.9	65.5%	23.9%
Restaurant Operational Expenses	850.3	53.1%	712.1	53.8%	19.4%
Restaurant Operating Profit	223.8	14.0%	154.8	11.7%	44.5%
G&A expenses	61.2	3.8%	52.2	3.9%	17.2%
EBITDA (normalized, excluding IFRS 16 impact) (*)	162.6	10.2%	102.7	7.8%	58.4%
Normalized Profit for the year (*)	83.4	5.2%	44.3	3.3%	88.3%
Free Cash Flow (*)	71.1		55.6		27.8%

(*) Financial indicators included in Sphera Franchise Group S.A. Remuneration Policy.

EXTENSION OF THE CEO MANDATE

In the meeting held on April 27th, 2023, the Board of Directors of Sphera Franchise Group extended the mandate of Mr. Calin Ionescu as the Chief Executive Officer of the Company. Mr. Ionescu's new four-year term is effective as of 01.05.2023 until 30.04.2027.

EXTENSION OF THE CFO MANDATE

In the meeting held on May 8th, 2023, the Board of Directors of Sphera Franchise Group extended the mandate of Mr. Valentin Budes as the Chief Financial Officer of the Company. Mr. Budes's new four-year term is effective as of 09.05.2023 until 08.05.2027.

CAPITAL MARKET UPDATES

DIVIDEND PAYMENT

On March 31st, 2023, Sphera Franchise Group paid shareholders dividends amounting to RON 20,001,059.77 from the undistributed net profit of 2020, fixing a gross dividend per share at RON 0.5155. The ex-date for the dividend payment was March 10th, 2023; the record date was March 13th, 2023.

STOCK EXCHANGE EVOLUTION

SFG shares continued the positive evolution from the end of 2022 in Q1 2023, registering a 16.4% increase in the first quarter of the year, as the share closing price on March 31st, 2023 was RON 16.3, vs closing price of RON 14.0 from December 31st, 2022. The Total Return in Q1 2023, including the dividend paid on March 31st, 2023, was 20.1% - the 4th best evolution of a Bucharest Stock Exchange issuer in the period (3rd if only considering BET index constituents). In Q1 2023, investors traded 336,397 SFG shares (2.6% of free float), with a total value of RON 5.1 million. The share price evolution in Q1 2023 outperformed the BVB reference index BET, which increased 3.8% in the period as well as the BET-TR index, which grew 3.9%.



DECLARATION FROM THE MANAGEMENT

Bucharest, May 15th, 2023

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the three months period ended 31 March 2023 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 2023 financial year and their impact on the interim condensed consolidated financial statements.

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)
All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (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 2023 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)

	Note	Three-month period ended 31 March 2023	31 March 2022
Restaurant sales		335,060	278,579
Restaurant expenses			
Food and material expenses		113,047	97,814
Payroll and employee benefits	4	77,895	66,877
Rental expenses		7,629	6,292
Royalties expenses		19,983	16,759
Advertising expenses		15,911	13,822
Other operating expenses	5	46,136	45,301
Depreciation, amortization and impairment	7	23,840	23,610
Restaurant operating profit		30,618	8,103
General and administrative expenses	6	14,755	13,336
Profit/(Loss) from operating activities		15,863	(5,233)
Finance costs	8	6,467	4,803
Finance income		942	152
Profit/(Loss) before tax		10,338	(9,885)
Income tax expense from continuing operations		2,916	366
Specific tax expense		-	624
Profit/(Loss)		7,422	(10,875)
Attributable to:			
Owners of the parent		7,331	(10,923)
Non-controlling interests		91	48
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		39	(24)
Total comprehensive income		7,460	(10,899)
Attributable to:			
Owners of the parent		7,360	(10,942)
Non-controlling interests		100	43

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)
All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023 (UNAUDITED)

	31 March 2023	31 December 2022
Assets		
Non-current assets	556,751	537,600
Property, plant and equipment	234,858	230,557
Right-of-use assets	232,700	217,719
Intangible assets and goodwill	57,670	57,778
Financial assets (cash collateral)	9,004	8,929
Deferred tax assets	22,519	22,617
Current assets	145,389	168,282
Inventories	14,341	15,907
Trade and other current receivables	15,945	21,279
Prepayments	7,467	3,007
Cash and short-term deposits	107,636	128,089
Total assets	702,139	705,882
Equity and liabilities		
Equity		
Issued capital (Note 9)	581,990	581,990
Share premium	(519,998)	(519,998)
Reserves for share-based remuneration	1,502	1,502
Other reserves	(1,115)	(1,115)
Retained earnings	61,343	54,012
Reserve of exchange differences on translation	(294)	(324)
Equity attributable to owners of the parent	123,426	116,067
Non-controlling interests	397	297
Total equity	123,823	116,364
Non-current liabilities	327,652	318,323
Long-term borrowings	112,213	122,949
Non-current lease liabilities	210,523	190,729
Employee defined benefit liabilities (Note 4)	4,068	3,861
Deferred tax liabilities	849	784
Current liabilities	250,664	271,195
Trade and other current payables	137,185	152,667
Short-term borrowings	64,879	65,086
Current lease liabilities	48,155	52,693
Provisions	442	749
Total liabilities	578,316	589,518
Total equity and liabilities	702,139	705,882

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(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 2023
(UNAUDITED)

	Issued capital	Share premium	Reserves for share based remuneration	Other reserves	Retained earnings	Foreign currency translation reserve	Equity attributable to owners of the parent	Non-controlling interest	Total equity
As at 1 January 2023	581,990	(519,998)	1,502	(1,115)	54,012	(324)	116,067	297	116,363
Profit	-	-	-	-	7,331	-	7,331	91	7,422
Other comprehensive income									
Exchange differences on translation	-	-	-	-	-	30	30	9	39
Total comprehensive income	-	-	-	-	7,331	30	7,360	100	7,460
At 31 March 2023	581,990	(519,998)	1,502	(1,115)	61,343	(294)	123,426	397	123,823
	Issued capital	Share premium	Reserves for share based remuneration	Other reserves	Retained earnings	Foreign currency translation reserve	Equity attributable to owners of the parent	Non-controlling interest	Total equity
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)
Other comprehensive income									
Exchange differences on translation	-	-	-	-	-	(19)	(19)	(5)	(24)
Total comprehensive income	-	-	-	-	(10,923)	(19)	(10,942)	43	(10,899)
Dividends declared	-	-	-	-	(35,001)	-	(35,001)	-	(35,001)
At 31 March 2022	581,990	(519,998)	-	(1,314)	25,533	(277)	85,934	218	86,151

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)

	Three-month period ended	
	31 March	31 March
	2023	2022
Operating activities		
Profit/(Loss) before tax	10,338	(9,885)
<i>Adjustments to reconcile profit/(loss) before tax to net cash flows:</i>		
Depreciation of right-of-use assets	14,617	14,375
Depreciation and impairment of property, plant and equipment	9,585	9,519
Amortisation and impairment of intangible assets and goodwill	1,429	1,233
Adjustments for unrealised foreign exchange losses/(gains)	307	(143)
Adjustments for (gain)/loss on disposal of property, plant and equipment and right-of-use assets	(92)	(3)
Adjustments for finance income	(942)	(152)
Adjustments for finance costs (interest)	6,051	4,525
Working capital adjustments:		
Adjustments to decrease/(increase) in trade and other receivables and prepayments	783	(6,923)
Adjustments for decrease/(increase) in inventories	1,567	526
Adjustments for (decrease)/increase in trade and other payables	2,162	13,606
Interest received classified as operating activities	942	152
Interest paid classified as operating activities	(5,790)	(4,319)
Income tax paid	(1,004)	(2,805)
Cash flows from operating activities	39,954	19,706
Investing activities		
Proceeds from sale of property, plant and equipment	215	-
Purchase of intangible assets	(1,321)	(1,624)
Purchase of property, plant and equipment	(13,992)	(16,163)
Cash flows used in investing activities	(15,098)	(17,787)
Financing activities		
Repayment of borrowings	(10,901)	(15,575)
Payment of lease liabilities	(14,530)	(14,121)
Dividends paid to owners of the parent	(19,840)	-
Cash flows used in financing activities	(45,271)	(29,696)
Net decrease in cash and cash equivalents	(20,414)	(27,777)
Net foreign exchange differences	(38)	11
Cash and cash equivalents at 1 January	128,089	146,116
Cash and cash equivalents at 31 March	107,636	118,350

**SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2023 (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 2023 (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 Dorobantilor, Bucharest, Romania.

The Group operates quick service and takeaway restaurant concepts (a chain of 118 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 2023) as well as pizza delivery points (21 locations as at 31 March 2023, 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 (15 restaurants as at 31 March 2023) 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 Dorobantilor, 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 2023 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 2022.

The interim condensed consolidated financial statements for three-month period ended 31 March 2023 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 2023 (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 2022. The amendments effective since 1 January 2023 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 rates as at 31 March 2023 and 31 December 2022 and the average exchange rates for the three-month period ended 31 March 2023 and 31 March 2022 were:

	Closing exchange rates		Average exchange rates	
	31 March 2023	31 December 2022	Three-month period ended 31 March 2023	Three-month period ended 31 March 2022
RON – EUR	4.9491	4.9474	4.9189	4.9462
RON – USD	4.5463	4.6346	4.5839	4.4067
RON – MDL	0.2471	0.2428	0.2434	0.2435

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.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

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 using the average exchange rates of daily exchange rates published by National Bank of Romania (NBR) as detailed above. Equity items are translated into RON at the historical exchange rate. The exchange differences arising on the translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that foreign operation is recognised in the profit or loss.

3 GROUP INFORMATION

Details of the Group consolidated subsidiaries at 31 March 2023 and 31 December 2022 are as follows:

Company name	Country of incorporation	Field of activity	Control 31 March 2023	Control 31 December 2022
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 2023	31 March 2022
Payroll and employee benefits recognized in restaurant expenses	77,895	66,877
Payroll and employee benefits recognized in "General and administrative expenses "	10,168	9,148
Total Payroll and employee benefits	88,063	76,026

Payroll costs of 429 representing the value of project management and other technical activities performed by the Group's employees during the three-month period ended 31 March 2023 (2022: 441) for the construction or refurbishment of restaurants were capitalized in the cost of construction of the non-current assets.

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 the benefits in amount of 4,068 (3,861 as at 31 December 2022) was calculated as a career-average lump sum, in accordance with the Italian statutory regulations. The Group performs an actuarial computation of these benefits in line with the IAS 19 "Employee benefits".

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

5 OTHER OPERATING EXPENSES

	Three-month period ended	
	31 March 2023	31 March 2022
Third-party services	23,550	23,486
Utilities	10,863	10,842
Maintenance and repairs	3,756	4,261
Cleaning supplies	2,410	2,469
Transport	2,060	2,009
Smallwares	1,163	663
Telephone and postage	310	319
Insurance	131	188
Bank charges	1,272	858
Net (gain)/loss on disposal of property, plant and equipment and right-of-use assets	(92)	(3)
Miscellaneous expenses and income	711	208
Total	46,136	45,301

6 GENERAL AND ADMINISTRATIVE EXPENSES

	Three-month period ended	
	31 March 2023	31 March 2022
Payroll and employee benefits	10,168	9,148
Third-party services	1,710	1,695
Depreciation, amortization and impairment of non-current assets	1,791	1,516
Rent	59	55
Banking charges	189	196
Transport	300	259
Maintenance and repairs	119	96
Smallwares	36	34
Insurance	147	132
Advertising	26	29
Telephone and postage	90	81
Miscellaneous expenses and income	120	95
Total	14,755	13,336

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

7 DEPRECIATION AND AMORTIZATION

	Three-month period ended	
	31 March 2023	31 March 2022
Depreciation of right-of-use assets recognized in "Restaurant expenses"	13,805	13,706
Depreciation, amortization and impairment of other non-current assets recognized in "Restaurant expenses"	10,035	9,905
Depreciation, amortization and impairment recognized in "Restaurant expenses"	23,840	23,610
Depreciation of non-operating right-of-use assets recognized in "General and administrative expenses"	812	669
Depreciation, amortization and impairment of non-current assets recognized in "General and administrative expenses"	979	847
Depreciation, amortization and impairment recognized in "General and administrative expenses"	1,791	1,516
Total depreciation, amortization and impairment	25,631	25,127

8 FINANCE COSTS

	Three-month period ended	
	31 March 2023	31 March 2022
Interest on loans and borrowings	2,983	2,297
Interest expense on lease liabilities	3,060	2,227
Interest cost on benefit obligation	9	2
Foreign exchange loss	416	276
Total finance costs	6,467	4,803

9 ISSUED CAPITAL

	31 March 2023	31 December 2022
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 2023 are: Tatika Investments Ltd. (28.6089%), Computerland Romania SRL (20.5327%), Wellkept Group SA (16.8793%) and free float (33.9792%).

The shareholders of Sphera Franchise Group SA as at 31 December 2022 are: Tatika Investments Ltd. (28.6089%), Computerland Romania SRL (20.5327%), Wellkept Group SA (16.8793%) and free float (33.9792%).

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2023 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

10 EBITDA

	Three-month period ended	
	31 March	31 March
	2023	2022
Operating profit	15,863	(5,233)
Adjustments to bridge operating profit to EBITDA:		
Depreciation, amortization and impairment of non-current assets included in restaurant expenses	23,840	23,610
Depreciation, amortization and impairment of non-current assets included in general and administrative expenses	1,791	1,516
EBITDA	41,494	19,893
Normalization adjustments	-	-
Normalised EBITDA	41,494	19,893

For the three-month period ended 31 March 2023 and 31 March 2022, no EBTDA normalization adjustment was required.

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

11 RELATED PARTY DISCLOSURES

During the three-month period ended 31 March 2023 and 31 March 2022 respectively, the Group has carried out transactions with the following related parties:

Related party	Nature of the relationship	Country of incorporation	Nature of transactions
Moulin D'Or SRL	Entity affiliated to shareholders of the parent	Romania	Goods and services
Midi Development SRL	Entity affiliated to shareholders of the parent	Romania	Services
Grand Plaza Hotel SA	Entity affiliated to a shareholder of the parent	Romania	Rent and utilities store PH Dorobanti, services
Arggo Software Development and Consulting SRL	Entity affiliated to a shareholder of the parent	Romania	IT services
Wellkept Group SA	Shareholder and entity under common control of Radu Dimofte, ultimate controlling party of the Group	Romania	Rent training center and payment of dividends
Tatika Investments Ltd.	Shareholder and entity under common control of Radu Dimofte, ultimate controlling party of the Group	Cyprus	Payment of dividends
Computerland Romania SRL	Shareholder with significant influence	Romania	Payment of dividends, acquisition of IT equipment, licenses
Cinnamon Bake&Roll SRL	Entity affiliated to a shareholder of the parent	Romania	Sale of goods and services, loans provided
Radu Dimofte	Beneficial owner of Wellkept Group SA, Tatika Investments Ltd and ultimate controlling party of the Group	Romania	Rent store KFC Mosilor
Elicom SRL	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
Parc Hotels SA	Entity affiliated to a shareholder of the parent	Romania	Accommodation services
Lunic Franchising and Consulting LTD	Shareholder of the parent until January 2022 and minority shareholder of subsidiaries (USFN, ARS, CFF)	Cyprus	Payment of dividends
Lucian Vlad	Beneficial owner of Lunic Franchising and Consulting Ltd.	Romania	Rent store KFC Mosilor

SPHERA FRANCHISE GROUP SA
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All amounts in RON thousand, unless specified otherwise

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 2023		Balances as at 31 March 2023	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Wellkept Group SA	-	130	-	58
Grand Plaza Hotel SA	-	307	66	25
Arggo Software Development and Consulting SRL	-	281	45	-
Dorobanti 239 Imobiliare SRL	-	823	-	7
Baneasa Developments SRL	-	1,166	-	206
Baneasa Investments SA	-	166	128	-
Computerland Romania SRL	4	2	-	2
Elicom SRL	-	201	-	74
Elicom Connect SRL	-	-	-	1
Radu Dimofte	-	23	-	-
Cinnamon Bake&Roll SRL	-	-	7	-
Midi Development SRL	-	4	-	4
	4	3,159	246	377

	Transactions during the three-month period ended 31 March 2022		Balances as at 31 December 2022	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Wellkept Group SA	-	107	-	10
Grand Plaza Hotel SA	-	271	66	28
Arggo Software Development and Consulting SRL	-	337	-	13
Dorobanti 239 Imobiliare SRL	-	822	-	69
Baneasa Developments SRL	-	998	-	270
Baneasa Investments SA	-	155	128	11
Computerland Romania SRL	4	-	6	213
Elicom SRL	-	167	-	54
Elicom Connect SRL	-	3	-	2
Lucian Vlad	-	56	-	-
Radu Dimofte	-	23	-	-
Cinnamon Bake&Roll SRL	6	-	7	-
Parc Hotels SA	-	-	-	3
	10	2,939	207	673

Compensation of key management personnel of the Group:

	Three months ended	
	31 March 2023	31 March 2022
Short-term employee benefits	2,578	2,837
Total compensation of the key management personnel	2,578	2,837

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

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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.

Inter-segment revenues 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 2023	KFC	Pizza Hut	Taco Bell	Other	Eliminations	Consolidated
Revenues from external customers	284,087	31,185	19,788			335,060
Inter-segment revenues	-	-	-	9,518	(9,518)	-
Operating expenses	265,962	32,870	20,027	9,819	(9,482)	319,196
Segment operating profit/(loss)	18,125	(1,685)	(239)	(301)	(36)	15,864
Finance costs	5,340	520	533	940	(866)	6,467
Finance income	638	8	-	1,163	(866)	942
Income tax expense	2,695	10	64	148	-	2,916
Net profit/(loss)	10,728	(2,207)	(836)	(226)	(36)	7,422
Total assets	590,293	56,631	41,395	72,762	(58,942)	702,139
Total liabilities	512,647	61,433	45,136	75,962	(116,862)	578,316

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All amounts in RON thousand, unless specified otherwise

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)	-
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
Net profit/(loss)	(4,162)	(4,276)	(1,314)	(1,083)	(40)	(10,875)
Total assets						
31 March 2022	575,594	64,741	42,590	108,695	(77,345)	714,275
Total liabilities						
31 March 2022	527,719	68,001	47,459	120,351	(135,406)	628,124
Total assets						
31 December 2022	573,462	60,484	43,059	111,729	(82,853)	705,882
Total liabilities						
31 December 2022	506,582	72,412	50,064	97,419	(136,958)	589,518

Geographic information:

Revenue from external customers	Three-month period ended	
	31 March 2023	31 March 2022
Romania	289,218	241,607
Italy	40,951	33,545
Republic of Moldova	4,891	3,427
Total restaurant revenue	335,060	278,579

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

Bucharest, 15 May 2023

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes