

Q1 2021

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, 2021 **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	01.01.2021 – 31.03.2021
Date of publishing	17.05.2021
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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FINANCIAL RESULTS HIGHLIGHTS

Sales per geography



Sales per brand



RON 15.7 mn

restaurant operating profit
+112% vs Q1 2020

RON 13.1 mn

normalized EBITDA
+271% vs Q1 2020

RON 0.5 mn

net profit
+105% vs Q1 2020

9.3%

decrease in G&A expenses vs
Q1 2020, down to RON 12.7 mn

31%

share of delivery orders in
total sales in Q1 2021

2

new restaurants opened
in Q1 2021, 3 YTD

Q1 2021 RESULTS ANALYSIS¹

The first quarter of 2021 Sphera Franchise Group continued to improve its results QOQ, as Q1 2021 was the best quarter for the Group on the Romanian market since the onset of the pandemic in terms of restaurant sales. Revenues in Romania increased 6.9% YOY and 1.7% QOQ. Throughout the first three months of 2021, the Group focused on developing sales through partnerships with food aggregators, promotions for the Delivery and Drive Thru channels as well as continuing the investments in the development of the store network in Romania and Italy. Consequently, although all three markets of Sphera's activity continued to struggle with the growing number of COVID-19 cases and the resulting thereof restrictions, restaurant sales grew 1.5% QOQ and 6.6% YOY, reaching RON 211.4 million in Q1 2021.

In Q1 2021, the Group managed to limit the expenses, which grew only 2.5% compared to same period of last year as a result of continued cost control. Food and material expenses grew 4.6%, at a slower rate than restaurant sales as the Group was able to use buying leverage and growing volumes to keep the costs flat versus 2020. Payroll and employee benefits decreased 6.1% YOY as Sphera registered a similar reduction of its consolidated FTE number. Approximately 4% of employees in Romania and 17% of employees in Italy were in technical unemployment as of March 31st, 2021. The total technical unemployment indemnity received in Q1 2021 equaled RON 919K, out of which RON 840K were granted by the Romania government and RON 79K by the Italian state. The Group had a total of 4,787 employees on all three markets of activity at the end of Q1 2021.

In terms of rent expenses, in Q1 2021 the Group managed to obtain discounts on the fixed rent in the total amount of RON 1.25 million, out of which RON 0.72 million were granted in Romania, RON 0.52 million in Italy and RON 11K in the Republic of Moldova. The royalties grew by 8.4%, due to sales growth, while the advertising costs declined 13.6%. Other operating expenses grew 29.4%, reaching RON 31.4 million. Similar to the previous quarters, the increase in this position was driven by a surge in aggregator commissions. In Q1 2021, approximately 27% of the consolidated sales were made through food aggregators, which led to expenses related to aggregator commissions reaching RON 10.9 million, a 750% YOY increase. Depreciation and amortization decreased 3.8% in Q1 2021 compared to the same period of last year as a result of the non-viable locations closed in 2020.

The Group ended Q1 2021 with restaurant operating profit of RON 15.7 million, a 111.7% increase compared to same period of last year and operating profit of RON 3.1 million (+147%). Despite continued restrictions on indoor dining, the Group turned to profit in the first three months of 2021 as the bottom-line grew 105%, reaching RON 0.5 million profit for the period. EBITDA surged 306%, reaching RON 12.7 million (6% margin, 4.4pp increase compared to Q1 2020), while normalized EBITDA reached RON 13.1 million, an increase of 271%, and a 6.2% margin.

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.

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

Data in RON'000	Q1-21	Q1-20	Y/Y % Q1-21/Q1-20	% of Sales		Δ%
				Q1-21	Q1-20	
Restaurant sales	211,428	198,314	6.6%			
Restaurant expenses	195,679	190,876	2.5%	92.6%	96.2%	-4.6%
Food and material	69,498	66,457	4.6%	32.9%	33.5%	-0.6%
Payroll and employee benefits	47,759	50,837	-6.1%	22.6%	25.6%	-3.0%
Rent	16,493	17,986	-8.3%	7.8%	9.1%	-1.3%
Royalties	12,618	11,639	8.4%	6.0%	5.9%	0.1%
Advertising	8,994	10,405	-13.6%	4.3%	5.2%	-1.0%
Other operating expenses, net	31,383	24,261	29.4%	14.8%	12.2%	2.6%
Depreciation and amortization	8,935	9,291	-3.8%	4.2%	4.7%	-0.5%
Restaurant operating profit	15,749	7,438	111.7%	7.4%	3.8%	3.7%
General & Admin expenses, net	12,663	13,966	-9.3%	6.0%	7.0%	-1.1%
Operating Profit/(Loss)	3,086	(6,528)	147.3%	1.5%	-3.3%	4.8%
Finance costs	2,069	1,542	34.2%	1.0%	0.8%	0.2%
Finance income	2	26	-93.2%	0.0%	0.0%	0.0%
Profit/(Loss) before tax	1,018	(8,044)	112.7%	0.5%	-4.1%	4.5%
Income tax expense	550	459	19.7%	0.3%	0.2%	0.0%
Specific Tax	-	1,047	-100.0%	0.0%	0.5%	-0.5%
Profit/(Loss) for the period	469	(9,550)	104.9%	0.2%	-4.8%	5.0%
EBITDA	12,749	3,140	306.0%	6.0%	1.6%	4.4%
Normalized EBITDA*	13,115	3,536	271.0%	6.2%	1.8%	4.4%

(*) For the 3M period ended March 31st, 2021, EBITDA was normalized 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.

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

Data in RON'000	Q1-21		Q1-20		Change (%)	
	1	2	1	2	Q1-21/ Q1-20 (1)	Q1-21/ Q1-20 (2)
Restaurant sales	211,428	211,428	198,314	198,314	6.6%	6.6%
Restaurant expenses	196,168	195,679	190,396	190,876	3.0%	2.5%
Food and material	69,498	69,498	66,457	66,457	4.6%	4.6%
Payroll and employee benefits	47,759	47,759	50,837	50,837	-6.1%	-6.1%
Rent	3,237	16,493	5,326	17,986	-39.2%	-8.3%
Royalties	12,618	12,618	11,639	11,639	8.4%	8.4%
Advertising	8,994	8,994	10,405	10,405	-13.6%	-13.6%
Other operating expenses, net	31,383	31,383	24,160	24,261	29.9%	29.4%
Depreciation and amortization	22,680	8,935	21,572	9,291	5.1%	-3.8%
Restaurant operating Profit / (Loss)	15,260	15,749	7,918	7,438	92.7%	111.7%
General & Admin expenses, net	12,146	12,663	13,824	13,966	-12.1%	-9.3%
Operating Profit/(Loss)	3,114	3,086	(5,906)	(6,528)	152.7%	147.3%
Finance costs	6,090	2,069	4,998	1,542	21.9%	34.2%
Finance income	2	2	26	26	-93.2%	-93.2%
Profit/(Loss) before tax	(2,974)	1,018	(10,878)	(8,044)	72.7%	112.7%
Income tax expense	135	550	329	459	-59%	19.7%
Profit/(Loss) for the period	(3,109)	469	(12,254)	(9,550)	74.6%	104.9%
EBITDA	26,856	12,749	16,768	3,140	60.2%	306%
Normalized EBITDA*	27,223	13,115	17,164	3,536	58.6%	271%

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 decreased by 9.3% in Q1 2021, mainly due to lower employee benefits and lower transportation, as a result of cost optimization measures. Overall, the share of G&A expenses in the consolidated sales decreased by 1pp in the analyzed period.

	Data in RON '000				Change (%)		Percentage of sales			
	Q1-21	Q1-21	Q1-20	Q1-20	2021/2020		Q1-21	Q1-21	Q1-20	Q1-20
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
General and administration (G&A) expenses, net	12,146	12,663	13,824	13,966	-12.1%	-9.3%	5.7%	6.0%	7.0%	7.0%
Payroll and employee benefits	8,072	8,072	8,908	8,908	-9.4%	-9.4%				
Third-party services	1,311	1,311	1,783	1,783	-26.5%	-26.5%				
Depreciation and amortization	1,062	728	1,102	376	-3.6%	93.4%				
Rent	72	924	138	1,005	-47.7%	-8.1%				
Banking charges	1,027	1,027	770	770	33.5%	33.5%				
Transport	149	149	448	448	-66.7%	-66.7%				
Other*	453	453	676	676	-33.0%	-33.0%				

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 2021 profitable, registering together EBITDA of RON 19.6 million and RON 13.9 million in net profit. CFF (Taco Bell Romania) closed Q1 2021 with restaurant operating profit of RON 0.1 million, but the G&A expenses and finance costs dragged the bottom line to a loss of RON 1 million. USFN Italy (KFC Italy) and ARS (Pizza Hut Romania) ended the first three months with a net loss of RON 8 million and RON 3.7 million, respectively. KFC Italy's performance was significantly impacted by the COVID-19 evolution in the country and the prevailing restrictions, thus resulting in a steep decline following a solid H2 2020, when sales and overall profitability managed to partially recover. Pizza Hut, on the other hand, managed to record the highest turnover since Q2 2020, lower the loss by 20.5% QOQ and post an improved performance YOY driven also by the decision of the Group to close selected non-performing Pizza Hut locations, starting with Q3 2020.

Breakdown of consolidated results by Group companies – Q1-2021 (excluding IFRS 16 Impact):

Data in RON'000	Q1-21							
	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons. Adj.	SFG Cons
Restaurant sales	161,194	18,254	2,791	19,693	9,496	7,396	(7,396)	211,428
Restaurant expenses	139,664	19,590	2,374	24,749	9,392	-	(90)	195,679
Food and material	54,240	4,989	1,159	5,943	3,167	-	-	69,498
Payroll and employee benefits	33,355	5,039	385	6,885	2,095	-	-	47,759
Rent	11,446	2,111	161	1,951	823	-	-	16,493
Royalties	9,674	1,076	168	1,185	515	-	-	12,618
Advertising	6,345	1,007	112	1,154	463	-	(87)	8,994
Other operating expenses	19,946	4,374	313	5,055	1,697	-	(2)	31,383
Depreciation	4,658	994	75	2,575	633	-	-	8,935
Restaurant operating profit/(loss)	21,531	(1,337)	418	(5,056)	104	7,396	(7,307)	15,749
G&A expenses	7,369	1,977	75	2,109	651	7,747	(7,264)	12,663
Operating profit/(loss)	14,162	(3,314)	342	(7,165)	(547)	(350)	(42)	3,086
Finance costs	1,351	368	26	635	482	508	(1,300)	2,069
Finance income	1,031	3	-	0	-	268	(1,300)	2
Profit/(Loss) before tax	13,842	(3,679)	317	(7,800)	(1,029)	(590)	(42)	1,018
Income tax expense	214	-	37	198	-	100	-	550
Profit/(Loss) for the period	13,628	(3,679)	280	(7,998)	(1,029)	(691)	(42)	469
EBITDA	19,168	(2,137)	426	(4,584)	108	(191)	(42)	12,749
Normalized EBITDA*	19,168	(1,770)	426	(4,584)	108	(191)	(42)	13,115

In Q1 2021, the like-for-like sales across Sphera brands declined slightly, by 1.1% Y/Y, being primarily dragged down by 32.6% Y/Y decline for Pizza Hut and 21.3% Y/Y decline for KFC Italy. These declines were however offset by a 6.9% increase in same stores performance for KFC Romania, 19% increase for KFC Moldova and 6% increase for Taco Bell.

The new KFC and Taco Bell locations in Romania and new KFC stores in Italy continued to contribute to recovering part of revenues lost due to indoor dining restrictions. Consequently, the Group ended Q1 2021 with all store sales increasing 6.6%, driven primarily by the solid performance of KFC Romania (+6 new locations compared to 31.03.2020, driving all store YOY performance up by 14.3%), Taco Bell Romania

(+1 location, increasing all store YOY performance by 13.1%) and KFC Italy (+3 new locations, increasing YOY all store by 2.5%).

		Y/Y Q1-20	Y/Y Q2-20	Y/Y Q3-20	Y/Y Q4-20	Y/Y Q1-21
USFN RO	All Stores	-9.9%	-51.6%	-17.1%	-11.5%	14.3%
	o/w Same Stores	-14.7%	-53.5%	-23.6%	-17.3%	6.9%
ARS	All Stores	-15.8%	-68.8%	-51.4%	-55.8%	-32.6%
	o/w Same Stores	-15.8%	-68.8%	-51.4%	-55.8%	-32.6%
USFN MD	All Stores	-14.4%	-62.1%	-15.4%	-5.3%	19.0%
	o/w Same Stores	-14.4%	-62.1%	-15.4%	-5.3%	19.0%
USFN IT	All Stores	11.4%	-48.1%	-11.7%	-33.5%	2.5%
	o/w Same Stores	-29.5%	-64.5%	-27.0%	-52.7%	-21.3%
CFF	All Stores	46.0%	-55.9%	-3.0%	-9.2%	13.1%
	o/w Same Stores	-10.3%	-64.4%	-24.1%	-22.9%	6.0%
TOTAL	All Stores	-7.7%	-54.0%	-20.4%	-20.0%	6.6%
	o/w Same Stores	-16.0%	-57.0%	-27.6%	-26.1%	-1.1%

Q1 2021 was the best quarter for the Group on the Romanian market since the onset of the pandemic in terms of restaurant sales, as the revenues increased 6.9% YOY and 1.7% QOQ. Sales in Italy grew 2.5% YOY, similar with Q4 mainly due more severe restrictions starting with March. Republic of Moldova managed to increase sales by 19 % compared to Q1 2020, the second highest turnover generated since the onset of the pandemic, driven by a significant increase in sales for delivery, up 8pp QOQ.

Data in RON '000	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Change Q1-21/Q1-20
Sales by region						
Romania	176,764	93,821	169,26	185,816	188,944	6.9%
Italy	19,205	11,435	26,232	19,584	19,693	2.5%
Rep. Moldova	2,345	1,009	2,371	2,953	2,791	19.0%
Total sales	198,314	106,266	197,865	208,252	211,428	6.6%

In the first three months of 2021, sales for delivery remained at same level as in Q4 2020. 31% of all the orders on all three markets of activity of the Group, amounting to RON 65.9 million, were delivered in Q1 2021 by aggregators or using 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 or Tazz / UBER Eats. The relatively high share of delivery in the total sales in Q1 2021 was maintained primarily due to cold weather as well as restrictions on indoor dining in majority of the restaurants operated by the Group. As the weather improves, the vaccination campaign progresses and indoor restrictions loosen, the share of the sale for delivery is expected to decrease, reaching similar levels to those registered in Q3 2020.

Sales by entity, by Country		Q1-20	Q2-20	Q3-20	Q4-20	Q1-21
USFN RO	delivery	6%	44%	23%	28%	28%
	non-delivery	94%	56%	77%	72%	72%
ARS	delivery	33%	68%	53%	63%	57%
	non-delivery	67%	32%	47%	37%	43%
CFF	delivery	11%	81%	40%	42%	44%
	non-delivery	89%	19%	60%	58%	56%
USFN IT	delivery	0%	32%	11%	23%	25%
	non-delivery	100%	68%	89%	77%	75%
USFN MD	delivery	13%	60%	23%	25%	33%
	non-delivery	87%	40%	77%	75%	67%
All	delivery	9%	47%	24%	31%	31%
	non-delivery	91%	53%	76%	69%	69%

MAIN FINANCIAL RATIOS

The main financial ratios of Sphera Franchise Group (consolidated result) as of March 31st, 2021 (including and excluding IFRS 16 impact) are presented below, together with the result from the same period of 2020 (including IFRS 16 impact).

<i>Financial data in RON '000</i>	3M period ended 31 March 2021(1)		3M period ended 31 March 2021(2)		3M period ended 31 March 2020(1)	
Current ratio						
Current assets	<u>144,489</u>	= 0.62	<u>147,616</u>	= 0.78	<u>107,138</u>	= 0.52
Current liabilities	233,078		189,411		205,767	
Debt to Equity ratio						
Interest-bearing debt (long term)	<u>278,427</u>	= 191%	<u>76,041</u>	= 47%	<u>273,739</u>	= 187%
Equity	146,031		162,359		146,374	
Interest-bearing debt (long term)	<u>278,427</u>	= 66%	<u>76,041</u>	= 32%	<u>273,739</u>	= 65%
Capital employed	424,458		238,400		420,113	
Trade receivables turnover (days)						
Average receivables	<u>16,730</u>	= 7.12	<u>16,730</u>	= 7.12	<u>36,539</u>	= 16.6
Sales	211,428		211,428		198,314	
Fixed asset turnover						
Sales	<u>211,428</u>	= 1.7	<u>211,428</u>	= 3.2	<u>198,314</u>	= 1.57
Net fixed assets	496,382		264,445		504,945	

Notes: Annualized values, based on ASF methodology.

(1) Including the impact of IFRS 16; (2) Excluding the impact of IFRS 16 Leases.

SIGNIFICANT EVENTS IN Q1 2021 & AFTER CLOSING OF THE REPORTING PERIOD

COVID-19 VACCINATION CAMPAIGNS

In December 2020, the anti-COVID-19 vaccination campaign started in Romania as well as Italy. At the time of publishing this report, approximately 14% of the Romanian population and 14% of the Italian population were completely vaccinated against COVID-19. On the other hand, Republic of Moldova continues to struggle with the vaccination campaign as only 1% of the population has been so far fully vaccinated against COVID-19.

Based on the decision taken by the governments in counties with an even higher vaccination rate, it is expected as the size of population fully immunized increases and the number of COVID-19 cases decreases, the restrictions will continue to loosen.

HORECA SPECIFIC TAX EXEMPTION

At the end of 2020, the Romanian government adopted the exemption from the payment of the specific income tax due by the economic operators from HORECA sector, a period of 90 days, starting from January 1st, 2021. On March 25th, the exemption was prolonged for another 90 days, until June 30th, 2021. The total impact of this measure on Sphera's result is a saving of estimated RON 2.3 million lei in the first six months of 2021. The assumption is based on the already existing locations.

DEVELOPMENT OF THE NETWORK

In Q1 2021, Sphera opened 2 new restaurants – 1 new KFC store in Romania, in Sfantu Gheorghe, and 1 new KFC store in Italy – the first Drive Thru location outside of Romania, in Lazio. At the same time, in Romania one PHD store was identified as non-viable and closed, being already impaired as of December 31st, 2020.

Consequently, as of 31.03.2021, Sphera operated 159 stores, out of which 138 based in Romania (87 KFC, 21 Pizza Hut, 17 Pizza Hut Delivery and 11 Taco Bell restaurants, 1 restaurant under Paul brand and 1 PHD subfranchise), 19 KFC restaurants in Italy and 2 in Moldova.

So far in Q2 2021, Sphera opened 1 new Taco Bell store, in Palas Mall in Iasi, Romania.

APPROVAL OF 2021 BUDGET IN ANNUAL AGA

On April 28th, 2021, the annual General Shareholders Meeting of Sphera Franchise Group took place, which approved the 2021 consolidated Budget and Activity Plan of the Group. The budget assumes the progressive recovery of sales throughout 2021. For H1 2021, it is estimated that Sphera will continue to be affected by restrictions imposed by the state and local authorities due to pandemic situation, however as of H2 2021, normal course of business is assumed. Consequently, the Group estimates RON 1,157.6 million in restaurant sales in 2021, RON 150.5 in restaurant operating profit and normalized EBITDA of RON 95 million. The delivery is expected to have a significant weight in total sales in 2021, of around 25%.

The cash position at the end of 2021 is estimated at RON 65-70 million, with the debt reaching between RON 165-175 million. Consequently, the net debt is estimated at RON 95-110 million.

The development plan includes opening of 16 restaurants in 2021, out of which 8 KFC, 3 Pizza Hut and 3 Taco Bell restaurants in Romania and 2 KFC restaurants in Italy. The estimated CAPEX for the new store opening is EUR 10.2 million. Additional to the opening of new restaurants, the store remodeling costs are estimated at approximately EUR 3.8 million. Remodeling of existing stores is part of a deal negotiated with YUM! at the end of 2020.

The Consolidated Budget and Activity Plan for 2021 that was approved by the shareholders in the annual AGA, is available [HERE](#).

SPHERA EMPLOYEE VACCINATION CAMPAIGN

At the end of April 2021, for a period of 4 days, Sphera together with the Bucharest Public Health Directorate facilitated the access to vaccinations to employees who wanted to be immunized, through a mobile unit specially arranged within a KFC restaurant in Bucharest.

REOPENING OF INDOOR RESTAURANTS IN BUCHAREST & GREEN SCENARIO ACROSS ROMANIA

At the beginning of May 2021, the COVID-19 incidence rate in Bucharest dropped below 3 cases per 1,000 inhabitants. Consequently, the indoor restaurants and cafes, cinemas and event halls were allowed to reopen in at 30% capacity as of May 3rd. The restaurants in Bucharest can currently stay open until 21:00 as the curfew in Bucharest is still at 22:00.

As of May 11th, all the counties in Romania, including the capital of Bucharest, are in the "green" scenario, meaning the COVID-19 incidence is below 1.5 cases per 1,000 inhabitants. The national average of cases is 1.02, as reported at the total population of Romania, according to the National Statistics office. As of May 15th, 2021 new restrictions are eased across the counties, including indoor dining at 50% capacity as well as allowing outdoor events with a maximum of 300 participants.

EASING OF THE RESTRICTIONS IN ITALY

The Italian government reimposed widespread lockdown in March 2021, as the transmission rate continued to raise. Under more strict lockdown measures which were in place between March and May 1st, the indoor and outdoor restaurants were closed and only takeaway and delivery was allowed. Italy begun easing lockdown measures on April 26th. Across regions classified as lower risk "yellow zones" (at the time of publishing this report, all regions of Group's activity are classified as such), restaurants and bars are allowed to serve customers at outdoor tables. There is a Government decision that states that as of June 1st, indoor dine-in will be allowed until 18:00, and with social distancing rules.

VEKTOR REASSESSMENT

In March 2021, Sphera launched an updated version of its corporate website, available at www.spheragroup.com. Together with the relaunch of the website, Sphera requested an update to the VEKTOR Index assessment that is carried out by the Romanian Investor Relations Association, which measures the quality of communication of Bucharest Stock Exchange issuers with investors. On April 19th, 2021, ARIR published an updated assessment and confirmed that Sphera scored 10/10, meaning it complies with the highest investor relations and corporate governance standards. The investors can access Sphera's revised assessment from 2021 [HERE](#).

DECLARATION FROM THE MANAGEMENT

Bucharest, May 17th, 2021

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the three months period ended 31 March 2021 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 2021 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 2021 (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 2021 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

	Note	Three-month period ended 31 March 2021	31 March 2020
Restaurant sales		211,428	198,314
Restaurant expenses			
Food and material expenses		69,498	66,457
Payroll and employee benefits	4	47,759	50,837
Rent		3,237	5,326
Royalties		12,618	11,639
Advertising		8,994	10,405
Other operating expenses, net	5	31,383	24,160
Depreciation, amortization and impairment of non-current assets		22,680	21,572
Restaurant operating profit		15,260	7,918
General and administration expenses, net	6	12,146	13,824
Operating profit/ (loss)		3,114	(5,906)
Finance costs		6,090	4,998
Finance income		2	26
Profit/(Loss) before tax		(2,974)	(10,878)
Income tax expense		135	329
Specific tax expense		-	1,047
Profit/(Loss) for the period		(3,109)	(12,254)
Attributable to:			
Equity holders of the parent		(3,153)	(12,249)
Non-controlling interests		44	(5)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Exchange differences on translation of foreign operations		20	56
Total comprehensive income for the period, net of tax		(3,090)	(12,198)
Attributable to:			
Equity holders of the parent		(3,123)	(12,185)
Non-controlling interests		34	(13)

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021
(UNAUDITED)

	31 March 2021	31 December 2020
Assets		
Non-current assets	517,956	513,794
Property, plant and equipment	202,113	201,118
Right-of-use assets	233,921	230,454
Intangible assets	60,348	61,173
Trade and other receivables	305	402
Deposits for rent guarantee	7,378	7,017
Deferred tax assets	13,891	13,629
Current assets	144,489	153,481
Inventories	9,823	11,099
Trade and other receivables	15,099	18,361
Prepayments	2,838	2,112
Cash and short-term deposits	116,729	121,909
Total assets	662,445	667,275
Equity and liabilities		
Equity		
Issued capital (Note 7)	581,990	581,990
Share premium	(519,998)	(519,998)
Other reserves	(917)	(917)
Retained earnings	84,880	88,033
Foreign currency translation reserve	(210)	(240)
Equity attributable to equity holders of the parent	145,745	148,868
Non-controlling interests	286	253
Total equity	146,031	149,121
Non-current liabilities	283,335	285,450
Interest-bearing loans and borrowings	75,784	83,859
Lease liabilities	202,643	196,883
Net employee defined benefit liabilities (Note 4)	3,719	3,141
Trade and other payables	1,189	1,567
Current liabilities	233,079	232,704
Trade and other payables	114,832	118,505
Interest-bearing loans and borrowings	68,626	66,350
Lease liabilities	49,621	47,850
Total liabilities	516,413	518,154
Total equity and liabilities	662,445	667,275

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(UNAUDITED)

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

	Issued capital	Share premium	Other reserves	Retained earnings	Foreign currency translation reserve	Total equity	Non-controlling interest	Total equity
As at 1 January 2021	581,990	(519,998)	(917)	88,033	(240)	148,868	252	149,120
Loss for the period	-	-	-	(3,153)	-	(3,153)	44	(3,109)
Other comprehensive income								
Translation differences					30	30	(10)	20
Total comprehensive income	-	-	-	(3,153)	30	(3,123)	34	(3,090)
Cash dividends	-	-	-	-	-	-	-	-
At 31 March 2021	581,990	(519,998)	(917)	84,880	(210)	145,745	286	146,031

	Issued capital	Share premium	Other reserves	Retained earnings	Foreign currency translation reserve	Total equity	Non-controlling interest	Total equity
As at 1 January 2020	581,990	(519,998)	(1,178)	111,402	(166)	172,050	201	172,251
Loss for the period	-	-	-	(12,249)	-	(12,249)	(5)	(12,254)
Other comprehensive income								
Translation differences					65	65	(8)	56
Total comprehensive income	-	-	-	(12,249)	65	(12,185)	(13)	(12,198)
Cash dividends	-	-	-	(13,679)	-	(13,679)	-	(13,679)
At 31 March 2020	581,990	(519,998)	(1,178)	85,473	(101)	146,185	188	146,374

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

	Three-month period ended	
	31 March	31 March
	2021	2020
Operating activities		
Profit/(Loss) before tax	(2,974)	(10,878)
Adjustments to reconcile profit(loss) before tax to net cash flows:		
Depreciation of right-of-use assets	14,143	13,080
Depreciation and impairment of property, plant and equipment	8,542	8,708
Amortisation and impairment of intangible assets	1,057	885
Movement in current assets allowance	170	-
Rent concessions (discounts)	(1,258)	-
Unrealised net foreign exchange differences	2,994	1,968
(Gain)/Loss on disposal of property, plant and equipment	-	62
Finance income	(2)	(26)
Finance costs (interest)	3,532	3,191
Working capital adjustments:		
Decrease/(Increase) in trade and other receivables and prepayments	2,103	12,737
Decrease/(Increase) in inventories	1,276	2,736
Increase/(Decrease) in trade and other payables	(2,445)	(2,702)
Interest received	2	26
Interest paid	(3,514)	(3,159)
Income tax paid	(891)	(2,460)
Net cash flows from operating activities	22,734	24,169
Investing activities		
Proceeds from sale of property, plant and equipment	-	50
Purchase of intangible assets	(231)	(2,182)
Purchase of property, plant and equipment	(9,537)	(13,294)
Net cash flows used in investing activities	(9,769)	(15,426)
Financing activities		
Proceeds from borrowings	-	25,493
Repayment of borrowings	(7,007)	(8,773)
Payment of lease liabilities	(11,041)	(11,756)
Dividends paid to equity holders of the parent	-	(8,374)
Net cash flows used in financing activities	(18,048)	(3,410)
Net increase in cash and cash equivalents	(5,083)	5,334
Net foreign exchange differences	(97)	2
Cash and cash equivalents at 1 January	121,909	57,272
Cash and cash equivalents at 31 March	116,729	62,608

**SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-
MONTH PERIOD ENDED 31 MARCH 2021 (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 2021 (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 108 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 a chain of pizza restaurants (21 restaurants as at 31 March 2021) as well as pizza delivery points (18 locations as at 31 March 2021, including one sub-franchise restaurant) under the Pizza Hut ("PH") and Pizza Hut Delivery ("PHD") brands, spread across Romania, one chain of restaurants under the "Taco Bell" brand (11 restaurants as at 31 March 2021) and one restaurant under Paul brand, in Romania.

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 2021 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 2020.

The interim condensed consolidated financial statements for three-month period ended 31 March 2021 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 2021 (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 2020. The amendments effective since 1 January 2020 do not have a material effect on the Group's condensed consolidated financial statements.

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 2021 and 31 December 2020 were:

	31 March 2021	31 December 2020
RON – EUR	4.9251	4.8694
RON – USD	4.1969	3.9660
RON – MDL	0.2331	0.2305

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.

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All amounts in RON thousand, unless specified otherwise

3 GROUP INFORMATION

Investments in controlled companies

Details of the Group consolidated subsidiaries at 31 March 2021 and 31 December 2020 are as follows:

Company name	Country of incorporation	Field of activity	Control 31 March 2021	Control 31 December 2020
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%

The value of non-controlling interests in USFN, ARS si CFF of 31 March 2021 is below 1 thousand RON therefore there are no other presentations thereof.

4 PAYROLL AND EMPLOYEE BENEFITS

	Three-month period ended 31 March 2021	31 March 2020
Payroll and employee benefits recognized in restaurant expenses	47,759	50,837
Payroll and employee benefits recognized in "General and administration expenses, net"	8,072	8,908
Total Payroll and employee benefits	55,831	59,745

For the three-month period ended 31 March 2021, restaurant payroll and employee benefits include government grants in total amount of 919 (2,321 for the three-months period ended 31 March 2021) representing the state support programs granted by the governments in the countries where the Group operates, 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 424 representing the value of project management and other technical activities performed by the Group's employees during the three-month period ended 31 March 2021 (2020: 291) for the construction or refurbishment of restaurants were capitalised 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 3,719 (3,141 as at 31 December 2020) 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".

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5 OTHER OPERATING EXPENSES, NET

	Three-month period ended	
	31 March 2021	31 March 2020
Third-party services	18,684	9,402
Utilities	5,281	6,424
Maintenance and repairs	3,041	2,988
Cleaning supplies	1,002	1,910
Transport	1,195	1,716
Small-wares	641	507
Penalties related to development franchise agreement (ARS)	367	396
Telephone and postage	243	236
Insurance	161	209
Net (gain)/loss on disposal of property, plant and equipment	-	62
Miscellaneous expenses and income, net	598	310
Provision for receivables, net	170	-
Total	31,383	24,160

6 GENERAL AND ADMINISTRATION EXPENSES, NET

	Three-month period ended	
	31 March 2021	31 March 2020
Payroll and employee benefits	8,072	8,908
Third-party services	1,311	1,783
Depreciation and amortization	1,062	1,102
Rent	72	138
Banking charges	1,027	770
Transport	149	448
Maintenance and repairs	67	80
Small-wares	21	24
Insurance	141	126
Advertising	35	57
Telephone and postage	73	74
Miscellaneous expenses and income, net	116	314
Total	12,146	13,824

7 ISSUED CAPITAL

	31 March 2021	31 December 2020
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 2021 and 31 December 2020 are: Tatika Investments Ltd. (28.2320%), Computerland Romania SRL (20.5326%), Wellkept Group SA (16.3400%), Lunic Franchising and Consulting LTD (10.8412%) and free float (24.0539%).

For the year ended 31 December 2020, the General Shareholders' Meeting of Sphera Franchise Group SA that took place on 28 April 2021 approved the allocation of the financial year profit as presented by the separate financial statements of the Company for the year ended 31 December 2020, as follows: setting up the statutory legal reserves in amount of 3,315 and allocation of undistributed profit of 63,061 to retained earnings.

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8 EBITDA

	Three-month period ended	
	31 March	31 March
	2021	2020
Operating profit/(loss)	3,114	(5,906)
Adjustments to bridge operating profit/(loss) to EBITDA:		
Depreciation, amortization and impairment included in restaurant expenses	22,680	21,572
Depreciation, amortization and impairment included in general and administration expenses	1,062	1,102
EBITDA	26,856	16,768
Non-recurring expenses	367	396
Normalised EBITDA	27,223	17,164

For the three-month period ended 31 March 2021 and 31 March 2020, respectively, 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 (Note 5).

9 RELATED PARTY DISCLOSURES

During the three-month period ended 31 March 2021 and 31 March 2020 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	Sale of 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	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
Cinnamon Bake&Roll SRL	Entity with common members of key management personnel	Romania	Sale of 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 Ltd and ultimate beneficiary owner of the parent	Romania	Rent store KFC Mosilor
Elicom SRL	Entity affiliated to a shareholder of the parent	Romania	Call-centre services

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<u>Related party</u>	<u>Nature of the relationship</u>	<u>Country of incorporation</u>	<u>Nature of transactions</u>
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	Charity

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 2021		Balances as at 31 March 2021	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Cinnamon Bake&Roll SRL	-	-	90	-
Moulin D'Or SRL	-	13	-	-
Lucian Vlad	-	55	-	-
Radu Dimofte	-	23	-	-
Wellkept Group SA	-	117	-	5
Midi Development SRL	-	-	-	-
Grand Plaza Hotel SA	-	184	66	88
Arggo Software Development and Consulting SRL	-	534	-	235
Elicom SRL	-	203	-	83
Elicom Connect SRL	-	3	-	3
Dorobanti 239 Imobiliare SRL	-	809	-	10
Baneasa Developments SRL	-	766	128	167
Baneasa Investments SA	-	48	19	-
Computerland Romania SRL	-	-	-	-
Fundatia Advance	-	-	13	-
	-	2,755	316	591

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	Transactions during the three-month period ended 31 March 2020		Balances as at 31 December 2020	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Cinnamon Bake&Roll SRL	2	1	110	-
Moulin D'Or SRL	224	2	-	-
Lucian Vlad	-	54	-	-
Radu Dimofte	-	22	-	-
Wellkept Group SA	-	32	-	1
Midi Development SRL	6	-	-	-
Grand Plaza Hotel SA	-	227	66	19
Arggo Software Development and Consulting SRL	-	258	-	279
Elicom SRL	-	208	-	85
Elicom Connect SRL	-	2	-	2
Dorobanti 239 Immobiliare SRL	-	680	-	37
Baneasa Developments SRL	-	782	-	157
Baneasa Investments SA	-	93	128	57
Fundatia Advance	-	-	35	-
	232	2,361	339	637

The Group has granted a loan to Cinnamon Bake&Roll SRL. The loan balance as at 31 March 2021 was of 643 (31 December 2020: 639) and the interest accrual as at 31 March 2021 was of 63 (31 December 2020: 61).

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 months period ended 31 March 2021 and for similar period of the year 2020, 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 2021	31 March 2020
Short-term employee benefits	2,201	2,205
Total compensation of the key management personnel	2,201	2,205

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

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10 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 two more immaterial operating segment, being one Paul restaurant, which is managed by USFN and which was aggregated into the KFC segment and the management and other support services provided by Sphera to other related parties.

The Group's service revenues resulting from the contracts signed with other related parties are presented in the "Other" category. The parent-company's revenues from services rendered to its subsidiaries are presented in the "Inter-segment revenues" line and eliminated during consolidation.

Inter-segment revenues are eliminated and reflected in the "Eliminations" column.

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 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)	-
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
Net profit/(loss)	3,491	(4,478)	(1,330)	(751)	(42)	(3,110)
Total assets	556,953	57,850	35,714	129,497	(117,569)	662,445
Total liabilities	506,185	66,428	48,561	63,748	(168,508)	516,413

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MONTH PERIOD ENDED 31 MARCH 2021 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

Three-month period ended 31 March 2020	KFC	Pizza Hut	Taco Bell	Other	Eliminations	Consolidated
Revenues from external customers	162,611	27,081	8,394	228	-	198,314
Inter-segment Revenues	-	-	-	7,096	(7,096)	-
Operating expenses	161,814	31,521	9,487	8,465	(7,067)	204,220
Segment operating profit	797	(4,440)	(1,093)	(1,141)	(29)	(5,906)
Finance costs	4,094	636	606	438	(776)	4,998
Finance income	238	3	-	561	(776)	26
Income taxes	806	357	67	147	-	1,377
Net profit/(loss)	(3,865)	(5,430)	(1,766)	(1,165)	(29)	(12,254)
Total assets 31 March 2020	485,152	67,062	38,016	78,732	(40,685)	628,277
Total liabilities 31 March 2020	393,980	66,968	47,078	60,623	(86,744)	481,905
Total assets 31 December 2020	553,806	62,231	35,368	129,046	(113,179)	667,275
Total liabilities 31 December 2020	506,559	66,331	46,886	62,549	(164,172)	518,154

Geographic information:

	Three-month period ended	
	31 March 2021	31 March 2020
Revenue from external customers		
Romania	188,944	176,764
Italy	19,693	19,205
Republic of Moldova	2,791	2,345
Total restaurant revenue	211,428	198,314

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

Bucharest, 17 May 2021

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes