



H1 2024 Report

Sphera Franchise Group S.A.





SPHERA

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The interim condensed consolidated financial statements and the interim condensed separate 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 and the interim condensed separate financial statements as of June 30th, 2024, **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 | Half-year report |
| For financial period | 01.01.2024 – 30.06.2024 |
| Date of publishing | 30.08.2024 |
| According to | Annex 14 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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KEY FINANCIAL HIGHLIGHTS



RON 639.5 mn
+6.5% vs. H1 2023

RON 89.6 mn
+5% vs. H1 2023

RON 10.9 mn
+11.6% vs. H1 2023

H1 2024 Consolidated Sales

RON 740 mn
+6% vs. H1 2023

KFC

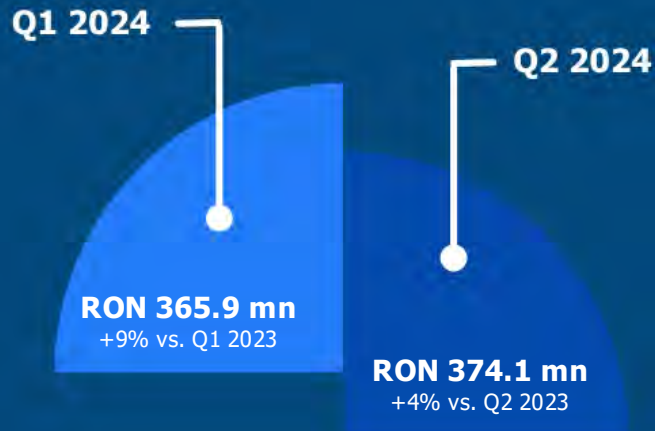


TACO BELL

RON 644.6 mn
+8.2% vs. H1 2023

RON 53.1 mn
-9.9% vs. H1 2023

RON 42.3 mn
+4% vs. H1 2023



| | | | |
|------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| <p>#1</p> <p>the best second quarter of the year in the history in terms sales, EBITDA and net profit</p> | <p>45%</p> <p>increase in restaurant operating profit in H1 2024, to RON 87.8 mn</p> | <p>51%</p> <p>EBITDA increase in H1 2024, to RON 78.9 mn</p> | <p>109%</p> <p>YoY increase in the net profit, to RON 40.7 mn in H1 2024, vs RON 19.4 mn in H1 2023</p> |
| <p>3pp</p> <p>decrease in the share of restaurant expenses in total sales, to 88% for H1 2024</p> | <p>0.4</p> <p>net debt / EBITDA ratio, a reduced level</p> | <p>448%</p> <p>YoY increase in volumes traded of SFG shares in H1 2024</p> | <p>51%</p> <p>YoY increase for SFG-TR vs. 25% for BET-TR index in H1 2024</p> |

H1 2024 RESULTS ANALYSIS

In Q2 2024, Sphera Franchise Group reported growth across all three markets of activity on a year-on-year (YoY) basis, generating total sales of RON 374.1 million. Historically, the company sees a sales uptick from one quarter to the next throughout the year, with the final quarter typically registering the highest performance. This trend is anticipated also for 2024.

Sales in Romania in Q2 2024 contributed to the total revenues with RON 322.4 million, registering a 3.6% YoY increase, Italy with RON 46.3 million, a 4.4% YoY increase, and the Republic of Moldova with RON 5.4 million, a 10.8% YoY increase. The contribution to the total performance remained comparable to the same period of 2023, with Romania contributing 86.2% to total sales, Italy – 12.4% and the Republic of Moldova - 1.4%.

| Data in RON '000 | Q1-23 | Q2-23 | Q3-23 | Q4-23 | Q1-24 | Q2-24 | Change Q2-24/Q2-23 | Change H1-24/H1-23 |
|------------------------|----------------|----------------|----------------|----------------|----------------|----------------|--------------------|--------------------|
| Sales by region | | | | | | | | |
| Romania | 289,218 | 311,266 | 324,269 | 340,016 | 317,123 | 322,346 | 3.6% | 6.5% |
| Italy | 40,951 | 44,364 | 49,708 | 48,791 | 43,303 | 46,321 | 4.4% | 5.1% |
| Rep. Moldova | 4,891 | 4,890 | 5,179 | 5,629 | 5,498 | 5,418 | 10.8% | 11.6% |
| Total sales | 335,060 | 360,520 | 379,156 | 394,436 | 365,924 | 374,085 | 3.8% | 6.4% |

Analyzing performance per brand, sales of KFC appreciated 4.9% in Q2 2024 vs. Q2 2023, delivering RON 327 million in revenues, the positive performance being recorded both on same stores and new openings in Romania. Pizza Hut sales decreased 7.6% YoY due to the streamlining of the restaurant network, contributing RON 25.7 million to total turnover in Q2 2024. Taco Bell grew 2.6%, registering revenues of RON 21.4 million in Q2 2024. Similar to the geographical split, the contribution to the total turnover by individual brands remained comparable in Q2 2024 to Q2 2023, with KFC bringing 87.4% of sales, Pizza Hut – 6.9% and Taco Bell – 5.7%.

All in all, Q2 2024 brought a 29.8% increase in the restaurant operating profit as the restaurant expenses increased at a slower pace than sales, growing 1.2% YoY. Consequently, their weight in the total sales decreased by over 2pp, from 90.8% in Q2 2023, to 88.5% in Q2 2024. Operating profit for the quarter amounted to RON 27.4 million, a 52.1% increase, with gross profit amounting to RON 24.9 million, a 67% increase and net profit standing at RON 19.2 million, a 59.1% increase.

Summary of interim Consolidated Financial Statements for Q2 (excluding IFRS 16 Impact):

| Data in RON'000 | Q2-24 | Q2-23 | Y/Y % | % of Sales | | Δ% |
|------------------------------------|----------------|----------------|-----------------|--------------|--------------|--------------|
| | | | Q2-24/ Q2-23 | Q2-24 | Q2-23 | |
| Restaurant sales | 374,085 | 360,521 | 3.8% | | | |
| Other restaurant income | 247 | - | - | | | |
| Restaurant expenses | 331,173 | 327,265 | 1.2% | 88.5% | 90.8% | -2.3% |
| Food and material | 116,679 | 119,796 | -2.6% | 31.2% | 33.2% | -2.0% |
| Payroll and employee benefits | 86,627 | 85,408 | 1.4% | 23.2% | 23.7% | -0.5% |
| Rent | 26,868 | 25,900 | 3.7% | 7.2% | 7.2% | 0.0% |
| Royalties | 22,484 | 21,700 | 3.6% | 6.0% | 6.0% | 0.0% |
| Advertising | 20,092 | 19,075 | 5.3% | 5.4% | 5.3% | 0.1% |
| Other operating expenses | 47,399 | 45,549 | 4.1% | 12.7% | 12.6% | 0.1% |
| Depreciation and amortization | 11,023 | 9,837 | 12.1% | 2.9% | 2.7% | 0.2% |
| Restaurant operating profit | 43,159 | 33,256 | 29.8% | 11.5% | 9.2% | 2.3% |
| General & Admin expenses | 15,806 | 15,271 | 3.5% | 4.2% | 4.2% | 0.0% |
| Operating Profit | 27,353 | 17,984 | 52.1% | 7.3% | 5.0% | 2.3% |
| Finance costs | 2,596 | 3,180 | -18.4% | 0.7% | 0.9% | -0.2% |
| Finance income | 118 | 93 | 26.6% | 0.0% | 0.0% | 0.0% |
| Profit before tax | 24,876 | 14,898 | 67.0% | 6.6% | 4.1% | 2.5% |
| Income tax expense | 5,674 | 2,829 | 100.6% | 1.5% | 0.8% | 0.7% |
| Profit for the period | 19,202 | 12,069 | 59.1% | 5.1% | 3.3% | 1.8% |
| Normalized Profit for the period | 19,202 | 12,069 | 59.1% | 5.1% | 3.3% | 1.8% |
| EBITDA | 39,127 | 28,828 | 35.7% | 10.5% | 8.0% | 2.5% |
| Normalized EBITDA | 39,127 | 28,828 | 35.7% | 10.5% | 8.0% | 2.5% |

At the level of six months, the sales across the Group increased 6.4%, reaching RON 740 million, with other restaurant income amounting to RON 1 million, representing sale of recycled oil, sub-franchise fees, and sundry income. Most of the revenues generated in H1 2024 were generated in Romania – RON 639.5 million (86.4% of the total sales; +6.5% YoY), followed by Italy – RON 89.6 million (12.1% of the total sales; +5% YoY) and the Republic of Moldova - RON 10.9 million (1.5% of the total sales; +11.6% YoY). Analyzing performance per brand, sales of KFC amounted to RON 644.6 million (87.1% of the total sales; +8.2% YoY), Pizza Hut – RON 53.1 million (7.2% of total sales; -9.9% YoY) and Taco Bell – RON 42.3 million (5.7% of total sales, +4% YoY).

The restaurant expenses amounted, in the first six months of 2024, to RON 653.3 million, a moderate 2.9% increase, decreasing their weight in the total sales by 3pp, from 91.3%, to 88.3%. At the level of restaurant expenses, all categories saw a single digit growth. Food and material costs maintained the same level as in H1 2023, of RON 232.9 million, due to negotiation efforts and cost control measures implemented across the Group, the weight of this cost category in total sales decreased with 2pp, to 31.5%.

Company's efforts to motivate and secure its employee base are reflected in the 3.6% increase in Payroll and employee benefits in H1 2024 vs. H1 2023, reaching RON 169.1 million, mirroring the labor market evolution. The rent increased 4.5% YoY, to RON 52.8 million, reflecting the rent contract variable structure in line with the sales increase. Royalties increased in line with the sales, reaching RON 44.5 million, a 6.7% YoY increase, while advertising increased by 8% to RON 37.8 million, outpacing the restaurant sales due to the seasonality of the marketing campaigns. Other operating expenses amounted to RON 95 million, a 3.6% increase due to a 7.8% growth of third-party costs, the biggest contributor to this category. This position is mainly influenced by aggregator services commissions. Depreciation and amortization saw a 6.5% YoY increase, to RON 21.3 million, driven by the new restaurant openings.

The net finance costs decreased 2.6%, from RON 5.2 million in H1 2023, to RON 5.1 million in H1 2024 mainly due to the repayment of loans during 2023.

Summary of interim Consolidated Financial Statements for H1 (excluding IFRS 16 Impact):

| Data in RON'000 | H1-24 | H1-23 | Y/Y % | % of Sales | | Δ% |
|------------------------------------|----------------|----------------|-----------------|--------------|--------------|--------------|
| | | | H1-24/ H1-23 | H1-24 | H1-23 | |
| Restaurant sales | 740,009 | 695,580 | 6.4% | | | |
| Other restaurant income | 1,019 | - | - | | | |
| Restaurant expenses | 653,259 | 634,970 | 2.9% | 88.3% | 91.3% | -3.0% |
| Food and material | 232,878 | 232,843 | 0.0% | 31.5% | 33.5% | -2.0% |
| Payroll and employee benefits | 169,126 | 163,303 | 3.6% | 22.9% | 23.5% | -0.6% |
| Rent | 52,769 | 50,505 | 4.5% | 7.1% | 7.3% | -0.2% |
| Royalties | 44,481 | 41,683 | 6.7% | 6.0% | 6.0% | 0.0% |
| Advertising | 37,777 | 34,986 | 8% | 5.1% | 5.0% | 0.1% |
| Other operating expenses | 94,955 | 91,684 | 3.6% | 12.8% | 13.2% | -0.4% |
| Depreciation and amortization | 21,272 | 19,965 | 6.5% | 2.9% | 2.9% | 0.0% |
| Restaurant operating profit | 87,769 | 60,610 | 44.8% | 11.9% | 8.7% | 3.2% |
| General & Admin expenses | 31,564 | 30,261 | 4.3% | 4.3% | 4.4% | -0.1% |
| Operating Profit | 56,205 | 30,349 | 85.2% | 7.6% | 4.4% | 3.2% |
| Finance costs | 5,235 | 6,231 | -16.0% | 0.7% | 0.9% | -0.2% |
| Finance income | 174 | 1,036 | -83.2% | 0.0% | 0.1% | -0.1% |
| Profit before tax | 51,144 | 25,153 | 103.3% | 6.9% | 3.6% | 3.3% |
| Income tax expense | 10,492 | 5,740 | 82.8% | 1.4% | 0.8% | 0.6% |
| Profit for the period | 40,652 | 19,413 | 109.4% | 5.5% | 2.8% | 2.7% |
| Normalized Profit for the period | 40,652 | 19,413 | 109.4% | 5.5% | 2.8% | 2.7% |
| EBITDA | 78,907 | 52,351 | 50.7% | 10.7% | 7.5% | 3.2% |
| Normalized EBITDA | 78,907 | 52,351 | 50.7% | 10.7% | 7.5% | 3.2% |

Summary of interim Consolidated Financial Statements for H1 – results and evolution presented with and without IFRS 16 impact

| Data in RON'000 | H1-24 | | H1-23 | | Change (%) | |
|------------------------------------|----------------|----------------|----------------|----------------|---------------------|---------------------|
| | 1 | 2 | 1 | 2 | H1-24/ H1-23 (1) | H1-24/ H1-23 (2) |
| | | | | | | |
| Restaurant sales | 740,009 | 740,009 | 695,580 | 695,580 | 6.4% | 6.4% |
| Other restaurant income | 1,019 | 1,019 | - | - | -100.0% | -100.0% |
| Restaurant expenses | 647,025 | 653,259 | 630,536 | 634,970 | 2.6% | 2.9% |
| Food and material | 232,878 | 232,878 | 232,843 | 232,843 | 0.0% | 0.0% |
| Payroll and employee benefits | 169,126 | 169,126 | 163,303 | 163,303 | 3.6% | 3.6% |
| Rent | 15,542 | 52,769 | 15,761 | 50,505 | -1.4% | 4.5% |
| Royalties | 44,481 | 44,481 | 41,683 | 41,683 | 6.7% | 6.7% |
| Advertising | 37,777 | 37,777 | 34,986 | 34,986 | 8.0% | 8.0% |
| Other operating expenses | 94,955 | 94,955 | 91,684 | 91,684 | 3.6% | 3.6% |
| Depreciation and amortization | 52,265 | 21,272 | 50,275 | 19,965 | 4.0% | 6.5% |
| Restaurant operating Profit | 94,003 | 87,769 | 65,044 | 60,610 | 44.5% | 44.8% |
| General & Admin expenses | 31,070 | 31,564 | 29,895 | 30,261 | 3.9% | 4.3% |
| Operating Profit | 62,934 | 56,205 | 35,149 | 30,349 | 79.0% | 85.2% |
| Finance costs | 12,771 | 5,235 | 13,885 | 6,231 | -8.0% | -16.0% |
| Finance income | 174 | 174 | 1,036 | 1,036 | -83.2% | -83.2% |
| Profit before tax | 50,337 | 51,144 | 22,300 | 25,153 | 125.7% | 103.3% |
| Income tax expense | 9,218 | 10,492 | 5,643 | 5,740 | 63.4% | 82.8% |
| Profit for the period | 41,118 | 40,652 | 16,657 | 19,413 | 146.9% | 109.4% |
| Normalized Profit for the period | 41,118 | 40,652 | 16,657 | 19,413 | 146.9% | 109.4% |
| EBITDA | 118,162 | 78,907 | 89,102 | 52,351 | 32.6% | 50.7% |
| Normalized EBITDA | 118,162 | 78,907 | 89,102 | 52,351 | 32.6% | 50.7% |

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 4.3% YoY in H1 2024, lower than the inflation rate. However, as a percentage of sales, G&A expenses decreased slightly, from 4.4% in H1 2023 to 4.3% in H1 2024.

| | Data in RON '000 | | | | Change (%) | | Percentage of sales | | | |
|------------------------------------------------------|------------------|---------------|---------------|---------------|-------------|-------------|---------------------|-------------|-------------|-------------|
| | H1-24 | H1-24 | H1-23 | H1-23 | 2024/ | 2024/ | H1-24 | H1-24 | H1-23 | H1-23 |
| | (1) | (2) | (1) | (2) | 2023 (1) | 2023 (2) | (1) | (2) | (1) | (2) |
| General and administration (G&A) expenses | 31,070 | 31,564 | 29,895 | 30,261 | 3.9% | 4.3% | 4.2% | 4.3% | 4.3% | 4.4% |
| Payroll and employee benefits | 22,485 | 22,485 | 20,814 | 20,814 | 8.0% | 8.0% | | | | |
| Third-party services | 3,740 | 3,740 | 3,238 | 3,238 | 15.5% | 15.5% | | | | |
| Depreciation and amortization | 2,964 | 1,430 | 3,678 | 2,037 | -19.4% | -29.8% | | | | |
| Rent | 99 | 2,127 | 126 | 2,132 | -21.4% | -0.2% | | | | |
| Banking charges | 339 | 339 | 368 | 368 | -7.9% | -7.9% | | | | |
| Transport | 640 | 640 | 603 | 603 | 6.1% | 6.1% | | | | |
| Other* | 802 | 802 | 1,069 | 1,069 | -25.0% | -25.0% | | | | |

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, phone & postage, miscellaneous expenses.

The growth in the restaurant operating profit of 44.8% YoY, from RON 60.6 million in H1 2023 to RON 87.8 million in H1 2024, can be attributed to the improved performance of KFC and Taco Bell brands across all activity markets. USFN Romania contributed RON 75.8 million (+45.1% vs. H1 2023) to the restaurant operating profit, USFN Italy: RON 7.5 million (+10.7% vs. H1 2023), CFF: RON 3.1 million (+97.5% vs. H1 2023), USFN Moldova: RON 2.5 million (+56.4% vs. H1 2023). Pizza Hut's performance improved, registering a restaurant operating loss of RON 1.3 million (+24.6% improvement vs. H1 2023).

The consolidated operating profit increased 85.2% YoY, to RON 56.2 million.

Similarly, the EBITDA has followed a positive evolution, increasing from RON 52.4 million in H1 2023 to RON 78.9 million in H1 2024, a solid growth of 50.7%. This improvement can be mainly attributed to effective cost-control measures taken across the Group, leading to an increase in operating profit. The EBITDA margin varied per brand, with USFN Moldova having the highest margin of 22.4%, followed by USFN Romania: 12.9%, CFF: 7.8%, and USFN Italy: 7.0%. ARS saw negative EBITDA margin of 5.1%.

The profit before tax for H1 2024 amounted to RON 51.1 million, a 103.3% increase vs. RON 25.2 million registered in H1 2023, while the net profit soared 109.4%, to RON 40.7 million in H1 2024. The significant improvement of the net margin can be attributed to strong performance across all the portfolio. Moreover, with the growing scale but also continued focus on operational efficiencies and profitability, with a 6.4% increase in the turnover, the Group managed to more than double its net profitability.

The biggest contributor to the net result in H1 2024 was USFN Romania, which generated a profit of RON 45.9 million (+74.4% vs. H1 2023), USFN Moldova with RON 1.9 million (+68.3% vs. H1 2023), CFF with RON 0.5 million (vs. a net loss of RON 1.1 million). USFN Italy saw a net loss of RON 0.4 million in H1 2024 (vs. a net loss of RON 0.1 million in H1 2023) and ARS improved, generating a net loss of RON 5.7 million in H1 2024 (vs. a net loss of RON 6.1 million in H1 2023), since the network is in a turnaround process.

Breakdown of consolidated results by Group companies – H1 2024 (excluding IFRS 16 impact):

| Data in RON'000 | USFN (RO) | ARS | USFN (MD) | USFN (IT) | CFF | SFG | Cons. Adj. | SFG Cons |
|-------------------------------------------|----------------|----------------|---------------|---------------|---------------|----------------|------------------|----------------|
| Restaurant sales | 544,072 | 53,116 | 10,916 | 89,624 | 42,291 | 20,810 | (20,819) | 740,009 |
| Dividend revenues | - | - | - | - | - | 94,025 | (94,025) | - |
| Other restaurant income | 673 | 364 | - | - | 19 | - | (37) | 1,019 |
| Restaurant expenses | 468,980 | 54,799 | 8,423 | 82,161 | 39,202 | - | (305) | 653,259 |
| Food and material | 176,722 | 14,635 | 3,844 | 24,233 | 13,444 | - | - | 232,878 |
| Payroll and employee benefits | 120,543 | 15,508 | 1,669 | 21,971 | 9,435 | - | - | 169,126 |
| Rent | 36,222 | 5,147 | 562 | 7,681 | 3,157 | - | - | 52,769 |
| Royalties | 32,711 | 3,193 | 656 | 5,372 | 2,550 | - | - | 44,481 |
| Advertising | 26,476 | 3,075 | 346 | 5,417 | 2,689 | - | (225) | 37,777 |
| Other operating expenses | 63,273 | 11,271 | 1,196 | 13,067 | 6,185 | - | (37) | 94,955 |
| Depreciation | 13,034 | 1,970 | 150 | 4,421 | 1,742 | - | (44) | 21,272 |
| Restaurant operating profit/(loss) | 75,765 | (1,319) | 2,493 | 7,463 | 3,108 | 114,835 | (114,576) | 87,769 |
| G&A expenses | 19,159 | 3,626 | 218 | 5,701 | 1,700 | 21,672 | (20,513) | 31,564 |
| Operating profit/(loss) | 56,606 | (4,945) | 2,275 | 1,761 | 1,408 | 93,163 | (94,063) | 56,205 |
| Finance costs | 3,800 | 789 | 58 | 1,871 | 740 | 1,825 | (3,849) | 5,235 |
| Finance income | 2,906 | 2 | - | 8 | 0 | 1,106 | (3,849) | 174 |
| Profit/(Loss) before tax | 55,711 | (5,731) | 2,217 | (102) | 668 | 92,444 | (94,063) | 51,144 |
| Income tax expense | 9,775 | - | 279 | 280 | 136 | 23 | - | 10,492 |
| Profit/(Loss) for the period | 45,937 | (5,731) | 1,938 | (382) | 532 | 92,421 | (94,063) | 40,652 |
| Normalized Profit/(Loss) for the period | 45,937 | (5,731) | 1,938 | (382) | 532 | 92,421 | (94,063) | 40,652 |
| EBITDA | 70,252 | (2,697) | 2,443 | 6,239 | 3,284 | 93,498 | (94,113) | 78,907 |
| Normalized EBITDA | 70,252 | (2,697) | 2,443 | 6,239 | 3,284 | 93,498 | (94,113) | 78,907 |

In Q2 2024, the same stores sales across Sphera brands grew 0.6%, with the most significant same stores increase registered by USFN Moldova, which grew 10.8% YoY, followed by USFN Italy, where comparable sales increased 4.4% YoY, CFF, where like-for-like sales grew 2.6% YoY and USFN Romania, which saw a 0.5% increase in the same store performance. ARS registered a 7.6% YoY decrease in same store performance due to the streamlining of the restaurant network.

Between June 30th, 2023, and June 30th, 2024, Sphera opened 7 new restaurants – all of them being new KFC restaurants in Romania. The new openings were offset by the closing of 13 Pizza Hut locations, 2 KFC units as well as one Paul unit – all in Romania. The new KFC locations helped the Group's performance as USFN Romania all store performance increased 4.8%, contributing to a 3.8% increase in all store performance for the Group in Q2 2024.

| | | Y/Y Q1-23 | Y/Y Q2-23 | Y/Y Q3-23 | Y/Y Q4-23 | Y/Y Q1-24 | Y/Y Q2-24 |
|----------------|-------------------|--------------|--------------|--------------|---------------|---------------|--------------|
| USFN RO | All Stores | 19.6% | 10.5% | 10.7% | 10.5% | 12.8% | 4.8% |
| | o/w Same Stores | 19.5% | 7.5% | 7.9% | 5.6% | 7.2% | 0.5% |
| ARS | All Stores | 10.0% | -6.2% | -9.8% | -16.6% | -12.0% | -7.6% |
| | o/w Same Stores | 10.0% | -6.2% | -9.8% | -16.6% | -12.0% | -7.6% |
| CFF | All Stores | 40.6% | 19.9% | 19.1% | 13.3% | 5.4% | 2.6% |
| | o/w Same Stores | 40.6% | 19.9% | 19.1% | 13.3% | 5.4% | 2.6% |
| USFN IT | All Stores | 22.1% | 14.4% | 9.2% | 0.6% | 5.7% | 4.4% |
| | o/w Same Stores | 22.1% | 14.4% | 9.2% | 0.6% | 5.7% | 4.4% |
| USFN MD | All Stores | 42.7% | 19.7% | 8.9% | 9.9% | 12.4% | 10.8% |
| | o/w Same Stores | 42.7% | 19.7% | 8.9% | 9.9% | 12.4% | 10.8% |
| TOTAL | All Stores | 20.3% | 10.1% | 9.1% | 6.8% | 9.2% | 3.8% |
| | o/w Same Stores | 20.2% | 7.9% | 7.1% | 3.3% | 5.2% | 0.6% |

In Q2 2024, the sales for delivery decreased by 1pp compared to Q1 2024, amounting to 18% across the whole Group. However, considering the larger overall sales registered in this period, the total value of sales for delivery in Q2 2024 saw an 11.1% increase, amounting to RON 68.2 million, vs. RON 61.4 million generated in Q2 2023.

The Group decided to gradually outsource its own delivery fleet to existing partners to optimize costs while securing sales and remaining in close contact with customers. In Q2 2024, own delivery sales channel represented 7.7% of total delivery sales, vs. 10.5% in Q2 2023.

| Sales by entity, by Country | | Q1-23 | Q2-23 | Q3-23 | Q4-23 | Q1-24 | Q2-24 |
|-----------------------------|--------------|-------|-------|-------|-------|-------|-------|
| USFN RO | delivery | 18% | 16% | 16% | 17% | 18% | 17% |
| | non-delivery | 82% | 84% | 84% | 83% | 82% | 83% |
| ARS | delivery | 36% | 34% | 35% | 36% | 36% | 38% |
| | non-delivery | 64% | 66% | 65% | 64% | 64% | 62% |
| CFF | delivery | 30% | 28% | 23% | 24% | 27% | 26% |
| | non-delivery | 70% | 72% | 77% | 76% | 73% | 74% |
| USFN IT | delivery | 8% | 7% | 6% | 8% | 9% | 8% |
| | non-delivery | 92% | 93% | 94% | 92% | 91% | 92% |
| USFN MD | delivery | 31% | 30% | 30% | 31% | 32% | 33% |
| | non-delivery | 69% | 70% | 70% | 69% | 68% | 67% |
| All | delivery | 19% | 17% | 16% | 18% | 19% | 18% |
| | non-delivery | 81% | 83% | 84% | 82% | 81% | 82% |

MAIN FINANCIAL RATIOS

The main financial ratios of Sphera Franchise Group (interim consolidated result) as of June 30th, 2024, are presented below, together with the result as of June 30th, 2023. All the ratios include IFRS 16 impact.

| <i>Financial data in RON '000</i> | 6M Period ended 30.06.2024 | | 6M Period ended 30.06.2023 | |
|------------------------------------------|---------------------------------------|---------------|---------------------------------------|---------------|
| Current ratio | | | | |
| Current assets | 111,228 | | 123,403 | |
| Current liabilities | 232,597 | = 0.48 | 235,953 | = 0.52 |
| Debt to Equity ratio | | | | |
| Interest-bearing debt (long term) | 325,437 | | 321,246 | |
| Equity | 141,146 | = 231% | 132,633 | = 242% |
| Interest-bearing debt (long term) | 325,437 | | 321,246 | |
| Capital employed | 466,583 | = 70% | 453,879 | = 71% |
| Trade receivables turnover (days) | | | | |
| Average receivables | 9,770 | | 15,286 | |
| Sales | 740,009 | = 2.38 | 695,580 | = 3.96 |
| Fixed asset turnover | | | | |
| Sales | 740,009 | | 695,580 | |
| Net fixed assets | 561,728 | = 2.63 | 539,365 | = 2.58 |

Notes: Annualized values, based on the ASF methodology.



H1 2024 Results Call

30.08.2024 | 14:00 & 15:00 hrs

On August 30th, Sphera Franchise Group will hold two conference calls with the management, one in English and another in Romanian, to discuss the H1 2024 results. The calls will be attended by Calin Ionescu (CEO), Valentin Budes (CFO), Monica Eftimie (CMO), and Zuzanna Kurek (IR).

The call in English language will take place at 14:00, local time (13:00 CET | 12:00 UK), and the one in Romanian at 15:00, local time.

To receive the log-in details, please email investor.relations@spheragroup.com, indicating the conference call you would like to attend.

SIGNIFICANT EVENTS IN H1 2024 & AFTER CLOSING OF THE REPORTING PERIOD

BUSINESS UPDATES

DEVELOPMENT OF THE NETWORK

In Q1 2024, Sphera opened 1 new restaurant – a KFC drive-thru unit in Sibiu, Romania. The restaurant is located at 39 Calea Surii Mari and is the 4th KFC location in Sibiu. At the same time, in January 2024, five Pizza Hut restaurants in Romania were closed, as part of the process of streamlining the restaurant network initiated in 2023. In Q2 2024, Sphera opened 2 new KFC restaurants – a food-court in Arges Mall in Pitesti and a drive-thru unit in Hunedoara.

As of June 30th, 2024, Sphera Franchise Group operated 170 restaurants: 105 KFC restaurants in Romania, 2 in Moldova and 18 in Italy, as well as 29 Pizza Hut restaurants, 15 Taco Bell restaurants, and one PHD sub-franchise.

So far, in Q3 2024, Sphera opened 2 new KFC drive-thru restaurants – one in Sinaia, and another in Craiova and closed one PH restaurant in Cluj.

STAFF

As of June 30th, 2024, the Group had 5,061 employees, of which 4,565 were in Romania, 405 in Italy and 91 in the Republic of Moldova. In H1 2024, 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 close to 250 employees from Sri Lanka, most of them currently working for USFN Romania.

GOVERNANCE UPDATES

ASSIGNMENT OF SHARES TO THE COMPANY DIRECTORS

On January 18th, 2024, the Company informed the market about the assignment of 39,300 free shares to the Company's Directors, representing the SOP for activity carried out in 2021. On April 8th, 2024, the Company informed the market about the assignment of 64,800 free shares to the Company's Directors, representing the SOP for activity carried out in 2022.

GENERAL MEETING OF THE SHAREHOLDERS

On March 25th, 2024, the Board of Directors of Sphera Franchise Group convened the Ordinary and Extraordinary General Meeting of the Shareholders for April 26th, 2024. During the OGSM, the shareholders approved the 2023 financial statements, the 2023 remuneration report and the 2024 budget, as detailed below. The shareholders also voted in favor of a payment of the gross dividend amounting to RON 1.05 per share, from the undistributed net profit of financial years 2022-2023. The ex-date for dividend payment was May 16th, 2024, and the payment date was June 6th. The shareholders also approved in the OGSM the monthly remuneration granted to the Board Members as well as the Share Option Plan (SOP) for Directors for the activity in 2023.

In EGSM, the shareholders approved a credit facility of maximum EUR 3.5 million, share buyback of SFG shares for the implementation of SOP in the amount of maximum 75,346 shares as well as the share buyback of SFG shares in the maximum amount of 600,000 shares, with the purpose of cancelling them. The price range for the buybacks, both for SOP and for the cancellation, is between RON 5 and RON 50 per share.

INTENTION FOR DISTRIBUTION OF SUPPLEMENTARY DIVIDEND IN 2024

On April 18th, 2024, the Company informed the market about the intention to distribute an additional dividend in 2024, in accordance with the Group's Dividend Policy (available [HERE](#)), which allows, in the absence of exceptional market conditions or circumstances, to distribute a maximum of 100% of the distributable profit, subject to any restrictions imposed by the legal and fiscal regulations in Romania or any obligation undertaken in this regard through financing contracts.

Taking into account the restrictions mentioned above, the status of achieving the budget presented by the company and the market conditions, the Board of Directors intends to propose to the shareholders a new distribution of dividends, similar to the one that was approved in the OGSM from April 26th, 2024, in the second half of 2024.

PUBLISHING OF 2024 SUSTAINABILITY REPORT

On July 1st, 2024, Sphera Franchise Group published its Sustainability Report for 2023. The report (in Romanian) can be accessed [HERE](#).

CAPITAL MARKET UPDATES

SIGNING OF MARKET MAKER AGREEMENT

On June 4th, 2024, Sphera Franchise Group announced the conclusion of an agreement with BRK Financial Group for Market Maker services. BRK Financial Group is the second market maker of the Group, after Raiffeisen Bank International, thus further enhancing liquidity of the Group's shares. The details related to the minimum cumulated volume corresponding to the firm bid-ask quotes and the maximum spread, can be accessed [HERE](#).

DIVIDEND PAYMENT

On June 6th, 2024, Sphera Franchise Group paid shareholders dividends from the undistributed net profit of financial years 2022-2023, fixing a gross dividend per share at RON 1.05. The ex-date for the dividend payment was May 16th, 2024 and the record date was May 17th, 2024.

STAGE 1 OF SHARE BUYBACK PROGRAM

On June 12th, 2024, Sphera Franchise Group informed the market about the initiation of a share buyback program. The buyback was completed on June 19th, 2024. During the buyback, carried out in accordance with EGMS Resolution no. 2 dated 26.04.2024, the Group bought back 33,888 shares at an average price of RON 38.025 per share. The total price of the buyback, excluding the brokerage commissions and other acquisition costs, was RON 1,288,590.70. The buyback was carried out to implement the Share Option Plan for Directors as well as members of the management of some of the Group's subsidiaries for the activity related to year 2023.

STOCK EXCHANGE EVOLUTION

SFG shares continued the positive evolution in Q2 2024, registering a 29% increase, as the share closing price on last trading day in the quarter, June 28th, 2024, was RON 37.8 vs closing price of RON 29.3 on March 29th, 2024. Including the dividend paid on June 6th, the total-return evolution of SFG share in Q2 2024 was 32.6%. In Q2 2024, investors traded 1,896,626 SFG shares (+226% vs. Q2 2023), with a total value of RON 67.6 million (+566% vs. Q2 2023). The share price evolution in Q2 2024 outperformed the BVB reference index BET, which increased 7.2% in the period as well as the BET-TR index, which grew 12.5%.

In total, in H1 2024, investors traded 2,494,426 SFG shares (+172% vs. H1 2023) with a total value of RON 83.7 million (+448% vs. H1 2023). In H1 2024, SFG shares appreciated 47.1%, while the BET index grew 18.7%. The Total Return on SFG shares in H1 2024, including the dividend paid on June 6th, 2024, was 51.2%, versus 25.2% increase for the BET-TR index registered in the same period.

ABOUT SPHERA FRANCHISE GROUP

The Group's franchised foodservice business was launched in 1994 with the opening of the first Pizza Hut location, which was followed by the opening in 1997 of the first KFC location, both in Bucharest. As of June 30th, 2024, the Group operates 170 restaurants in Romania, Italy, and the Republic of Moldova.

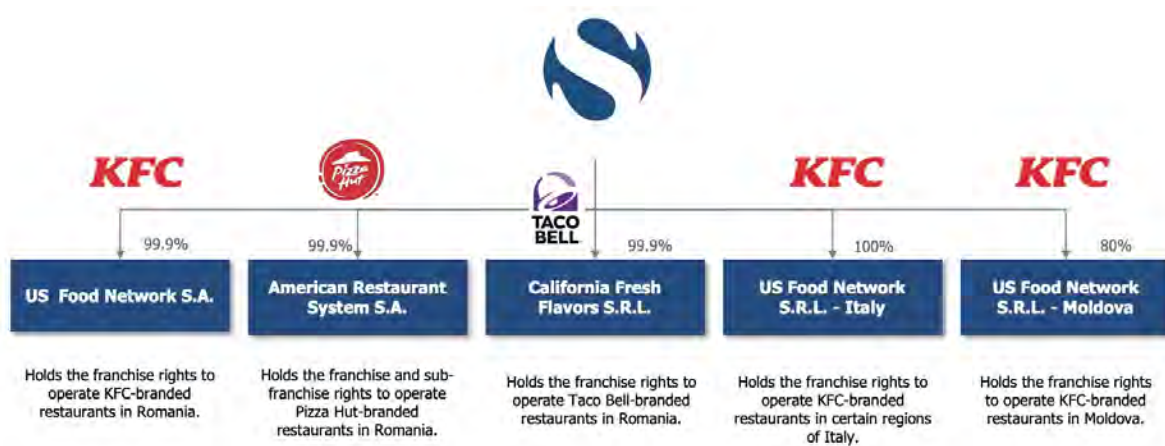
Sphera Franchise Group's business is conducted through the following two segments:

- Quick-service restaurants - through KFC restaurants (in Romania, the Republic of Moldova and Italy), Taco Bell restaurants (in Romania) and Pizza Hut Express restaurants (in Romania);
- Full-service restaurants - through Pizza Hut restaurants in Romania.

All restaurants operated by the Group provide delivery, either via own channel or in partnership with aggregating platforms.

KFC, Pizza Hut and Taco Bell are all operated in a master franchise system, by companies owned by Sphera Franchise Group, the largest restaurant group in the full-service restaurant sector in Romania. A master franchise is a franchising contract in which the master franchisor hands over the control of the franchising activities in a specified territory to a person or entity, called the "master franchisee". Yum! is the master franchisor of Sphera Franchise Group.

The visual representation of the Group's holding structure is presented below:



ABOUT THE BRANDS



KFC is a global chicken restaurant chain with more than 75 years old history of success and innovation. It all started with Colonel Harland Sanders, the cook, who created the famous recipe of 11 secret herbs and spices. Even today, all KFC restaurants follow it around the world, with real cooks breading and freshly preparing the delicious chicken by hand in more than 27,000 restaurants in over 145 countries and territories around the world.

In Romania, the first KFC restaurant was opened in Bucharest, back in 1997 by the Group. In 2008, the Group opened the first KFC restaurant in the Republic of Moldova and in 2017 the Group entered the Italian market. In 2018, KFC Romania launched a delivery activity, which is now carried out in collaboration with the food aggregator platforms. Today, KFC is the leading chicken restaurant chain in Romania in terms of both total sales and number of restaurants.

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



PIZZA HUT is a global casual dine-in restaurant, founded more than 60 years ago in Wichita, Kansas, by the Carney brothers. Since then, it has grown to become the largest pizza company in the world with more than 19,000 restaurants in over 100 countries. Restaurants serve a diverse menu which includes pizza and pasta, salads as well as side dishes and desserts.

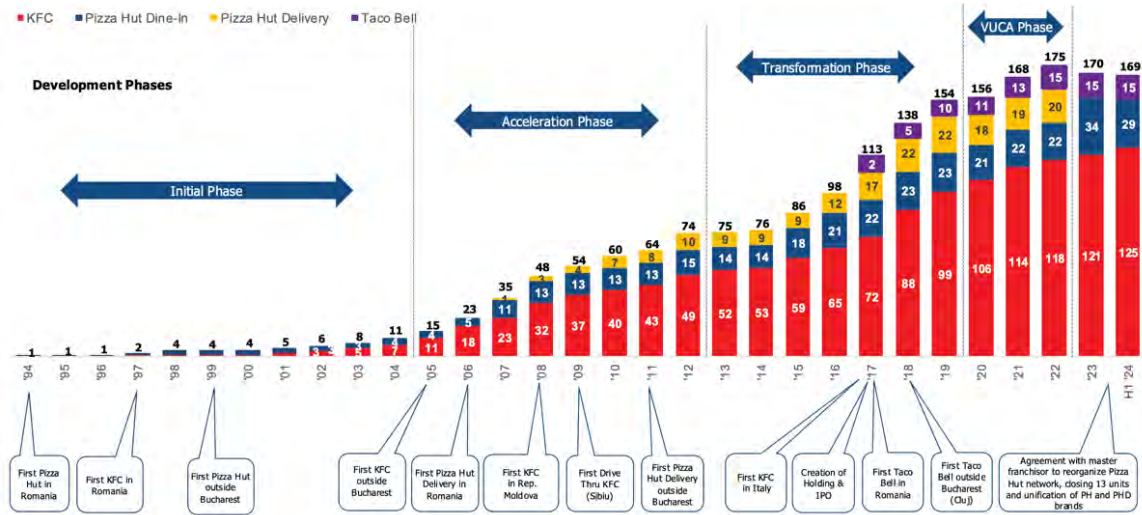
Pizza Hut was the first brand of the Group, to enter the Romanian market 30 years ago, this year, with the opening of its first location on Calea Dorobantilor in Bucharest and today is the largest casual dine-in restaurant chain in Romania in terms of both total sales and number of restaurants.

Pizza Hut restaurants primarily sell pizza (a wide range of classic and iconic recipes for the brand, on a variety of dough types, such as Pan, Classic, Cheesy Bites and Stuffed Crust) and other main-course products (such as burgers and pasta, or salads) as well as beverages (primarily non-alcoholic) and desserts.



TACO BELL is the world's leading Mexican-inspired quick service restaurant (QSR), founded in California in 1962. Today, it has over 7,200 locations in more than 30 countries worldwide. The restaurants serve a variety of Mexican-inspired foods that include tacos, burritos, quesadillas, nachos, novelty and specialty items and a range of 'value menu' products. Sphera Group opened the first Taco Bell store in Bucharest, Romania, in October 2017.

The historical evolution of the network (excluding one PH sub franchise) rollout is presented below:



RISKS REGARDING H2 2024

The Group's results of operations have been and are expected to continue to be affected by several factors:

Political and electoral risks: The upcoming elections in countries where Sphera Franchise Group operates, present a significant risk to the Group's business operations. Electoral outcomes can lead to shifts in government policies, regulatory environments, and economic strategies, which may introduce uncertainty or volatility in the business climate. Changes in leadership or policy focus might result in new regulations, changes in taxation, or alterations in labor laws that could increase operational costs or impact profitability. Additionally, the electoral period itself may result in reduced consumer confidence or spending, particularly if political campaigns raise concerns about economic stability. Sphera's ability to navigate these potential changes and uncertainties will be crucial to maintaining its market position and financial health.

Inflation: A sustained increase in inflation in countries where the Group operates, particularly Romania, Italy, and the Republic of Moldova, can severely affect its business. Rising costs of raw materials, operational expenses, and wages, amidst inflationary pressures, can strain Sphera's profit margins. The Group's strategy to maintain competitive pricing can be affected if it fails to negotiate favorable rates with its suppliers or if it is unable to pass on the cost increase to its customers due to competitive pressures.

Economic slowdown risk: The risk of economic slowdowns, particularly in the context of recent signals from the United States, poses a significant threat to Sphera Franchise Group's operations. An economic downturn in the U.S. often precedes or coincides with slowdowns in Europe, including in key markets where the Group operates, such as Romania, Italy, and the Republic of Moldova. Reduced consumer spending during economic slowdowns can directly impact the Group's revenue, as customers may cut back on dining out and discretionary spending. Additionally, a slowdown can lead to increased unemployment and lower disposable incomes, further diminishing consumer demand for the Group's products. The Group may also face challenges in managing operational costs, as fixed expenses remain constant while revenues decline, thereby putting pressure on profit margins.

Supplier price fluctuations: The Group's gross margin can be influenced by changes in the costs of raw materials, energy, and more. While the Group has multiple suppliers, market conditions can still affect pricing, and transferring of costs to the end consumer might be challenging and delayed, or even impossible.

Fiscal regulatory shifts: Sphera is exposed to risks stemming from sudden and unexpected changes in fiscal codes and regulations. Unpredictable alterations in tax laws or enforcement practices across the markets it operates: Romania, Italy and the Republic of Moldova, could negatively affect operational costs and profitability. Such shifts can increase the Group's tax burden, disrupt business planning, and reduce the predictability of future earnings.

Supply chain disruptions: The global disruptions due to events like the COVID-19 pandemic, extreme weather events, or local or regional conflicts such as the war in Ukraine can make procurement of essential ingredients challenging. As Sphera depends on timely delivery of fresh products, any extended disruption can affect the regular operations of the Group's restaurants and can potentially harm Sphera's reputation if the Group fails to meet customer expectations.

Labor shortages: The HoReCa sector heavily relies on manpower. Labor shortages can hinder the Group's ability to maintain service quality, potentially leading to customer dissatisfaction and reduced footfall. Furthermore, the need to offer higher wages to attract and retain staff could exert pressure on operational costs, potentially affecting profitability. The ongoing project of hiring employees from abroad, such as from Sri Lanka, might be a mitigation measure, but it also comes with its challenges and costs.

Labor costs: Labor is a significant expense. Factors like minimum wage legislation, social contributions, and the impact of the pandemic on the labor pool can increase costs, which might be challenging or even impossible to be transferred onto the clients.

Geopolitical instability: The ongoing conflict in Ukraine might continue to affect the general economic sentiment in the European region. The conflict, or any other similar event in the region or globally, including in the markets where the Group operates, can lead to disruptions in trade, increased energy prices, currency fluctuations, and general economic downturn, which can indirectly affect consumer spending habits.

Lockdowns: Potential lockdowns related to COVID-19 or other pandemics outbreak in Europe or across the world can impact restaurant operations. The Group's emphasis on delivery and take-out helps mitigate the impact, but it might not be sufficient to mitigate the negative impact on the business operations and overall profitability.

Regulatory and compliance risks: New regulations, related to, but not limited to, health and safety post-COVID-19 or concerning sustainability, might increase operational costs or impose restrictions on the Group's operations.

Changes in consumer behavior: The post-pandemic world has seen a considerable shift in how consumers approach dining. The rise in online orders, takeaways, and preference for health and safety can affect dine-in traffic. While Sphera has adapted in 2020-2021 by focusing on delivery and take-out services, continuous assessment of changing consumer preferences is vital. Moreover, the Group's results are influenced by various economic factors, such as employment, inflation, disposable income, and consumer willingness to spend. Local or regional events that result in heightened inflation and/or energy costs, could impact disposable income, affecting customer behavior.

Sustainability concerns: With an increasing global focus on sustainability, restaurants that fail to adapt to more sustainable practices might face backlash from consumers and stakeholders alike. Sphera assesses on a continuous basis its supply chain, operational practices, and waste management to ensure these align with the increasing demand for sustainable business practices, however it might not be sufficient effort as considered by stakeholders.

Product safety and public perception: Potential food-borne illnesses, product liability claims, and health pandemics can harm consumer trust. The Group's reliance on third-party suppliers and media reports can also influence public perception, even if the Group is not directly involved.

Poultry disease outbreak risk: The outbreak of poultry diseases, such as, but not limited to, avian influenza or Newcastle disease, can severely disrupt the supply chain of businesses reliant on poultry products. Such outbreaks can lead to mass culling of birds, increased scrutiny and regulations, and reduced consumer confidence in poultry-based products. An outbreak in a region from which the Group sources its poultry can result in supply shortages, increased costs due to the necessity to source from alternative providers, and potential reputational damage if consumers associate the brand with tainted products. Moreover, even in regions not directly affected by an outbreak, there can be heightened public fear and reduced consumption of poultry products. This risk is especially significant for brands that heavily feature poultry in their product lineup, such as KFC.

Competitive landscape: The restaurant industry's competitive nature means that the Group constantly faces the challenge of new entrants with innovative offerings. The Group faces competition in terms of food quality, price, service, convenience, and concept. This competition can influence product demand, prices, wages, and rental costs, potentially reducing profitability. Maintaining service quality, introducing new menu items, and staying abreast of industry trends are essential to retain and grow the customer base, but might not be sufficient when facing a strong competitor.

Expansion risks: Venturing into new markets or the introduction of new brands, products, or concepts into the market by Sphera Franchise Group carries inherent risks that could impact the Group's financial performance. Entering new markets, market segments or launching innovative products requires substantial investment in marketing, research, and development, with no guaranteed success. Consumer acceptance of new offerings can be unpredictable, and failure to resonate with the target audience may lead to lower-than-expected sales and potential brand dilution. Additionally, the resources and focus dedicated to launching new brands or concepts might divert attention from the Group's core businesses, potentially affecting the performance of established brands. The risk of not achieving a successful market

entry or encountering unexpected challenges in supply chain, regulatory compliance, or operational execution could strain the Group's resources and negatively impact profitability.

Fake news: Given its industry, notoriety of its brands as well as international presence, Sphera may face defamation or misinformation claims, including 'fake news'. Misleading information, even from inauthentic sources, can harm the Group's reputation and the brands it operates. Such events can reduce customer trust, sales, and the value of the Group's share price.

New technologies: Integrated technology solutions can redefine the dining experience and improve operational efficiencies. However, failing to adapt or late adoption can render the Group less competitive in the market. There's also the risk of potential job displacements with increased automation, which could lead to labor unrest.

Cybersecurity threats: As the Group expands and possibly integrates more digital solutions into its operations, the potential risk of cyber threats also increases. Cyberattacks, data breaches or technological failures can have serious reputational consequences and lead to loss of consumer trust. The Group might fail to adopt sufficient cybersecurity measures, resulting in cyberthreats.

Franchisor dependency: Operating KFC, Pizza Hut, and Taco Bell brands, many of the Group's decisions are influenced by the master franchisor. There can be uncertainty about the renewal of franchising agreements after their expiration, or about the terms of such agreements.

DISCLAIMER

Investors should consider that the factors briefly presented above are the most significant risks that Sphera Franchise Group is aware of at the time of redacting this report. However, the risks presented in this section do not include all the risks associated with the issuer's activity, and the Group cannot guarantee that it includes all the relevant risks for H2 2024. There may be other risk factors and uncertainties of which the Group or the companies within the Group are not aware at the time of preparing this report and which may in future modify the actual results, financial conditions, performances, and achievements of the issuer and may lead to a decrease in the price of the Group's shares.

Investors should undertake pre-requisite checks to prepare their investment opportunity assessment. The management recommends investors to read a more elaborated list of risks that Sphera Franchise Group is subject to, that was included in the Listing Prospectus, available [HERE](#), as well as the list of risks as included in the 2023 Annual Report, available [HERE](#). Nonetheless, it is important to underline that even with the additional sources, neither the list of risks, nor the description of the risks, can be treated as exhaustive.

DECLARATION FROM THE MANAGEMENT

Bucharest, August 30th, 2024

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements and unaudited interim condensed separate financial statements for the six months period ended 30 June 2024 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 six months of the 2024 financial year and their impact on the interim condensed consolidated financial statements and the interim condensed separate financial statements.

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes



SPHERA

investor.relations@spheragroup.com

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)
All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (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 SIX-
MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)

| | Note | Six-month period ended 30 June 2024 | 30 June 2023 |
|----------------------------------------------------------------------------------------------------|------|-------------------------------------------|-----------------|
| Restaurant sales | | 740,009 | 695,580 |
| Other restaurant income | | 1,019 | - |
| Restaurant expenses | | | |
| Food and material expenses | | 232,878 | 232,843 |
| Payroll and employee benefits | 4 | 169,126 | 163,303 |
| Rental expenses | | 15,542 | 15,761 |
| Royalties expenses | | 44,481 | 41,683 |
| Advertising expenses | | 37,777 | 34,986 |
| Other operating expenses | 5 | 94,955 | 91,684 |
| Depreciation, amortization and impairment | 7 | 52,265 | 50,275 |
| Restaurant operating profit | | 94,003 | 65,044 |
| General and administrative expenses | 6 | 31,070 | 29,895 |
| Profit from operating activities | | 62,934 | 35,149 |
| Finance costs | 8 | 12,771 | 13,885 |
| Finance income | | 174 | 1,036 |
| Profit before tax | | 50,337 | 22,300 |
| Income tax from continuing operations | | 9,218 | 5,643 |
| Profit | | 41,118 | 16,657 |
| Attributable to: | | | |
| Owners of the parent | | 40,729 | 16,427 |
| Non-controlling interests | | 389 | 230 |
| 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 | | (134) | 6 |
| Total comprehensive income | | 40,984 | 16,663 |
| Attributable to: | | | |
| Owners of the parent | | 40,680 | 16,424 |
| Non-controlling interests | | 304 | 239 |

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024 (UNAUDITED)

| | 30 June 2024 | 31 December 2023 |
|------------------------------------------------------------------|-------------------------|-----------------------------|
| Assets | | |
| Non-current assets | 594,963 | 570,152 |
| Property, plant and equipment | 242,665 | 239,299 |
| Right-of-use assets | 261,215 | 239,537 |
| Intangible assets and goodwill | 57,848 | 58,137 |
| Financial assets (cash collateral) | 9,381 | 9,340 |
| Deferred tax assets | 23,853 | 23,839 |
| Current assets | 111,228 | 131,164 |
| Inventories | 13,707 | 14,953 |
| Trade and other current receivables | 9,376 | 10,164 |
| Prepayments | 9,396 | 7,900 |
| Cash and short-term deposits | 78,749 | 98,147 |
| Total assets | 706,191 | 701,316 |
| Equity and liabilities | | |
| Equity | | |
| Issued capital (Note Error! Reference source not found.) | 581,990 | 581,990 |
| Share premium | (519,998) | (519,998) |
| Treasury shares (Nota 10) | (1,289) | (2,037) |
| Reserves for share-based remuneration | 2,390 | 3,894 |
| Other reserves | (1,283) | (1,283) |
| Retained earnings | 79,417 | 79,825 |
| Reserve of exchange differences on translation | (385) | (261) |
| Equity attributable to owners of the parent | 140,842 | 142,130 |
| Non-controlling interests | 304 | 486 |
| Total equity | 141,146 | 142,616 |
| Non-current liabilities | 332,448 | 309,863 |
| Long-term borrowings (Note 9) | 94,901 | 91,455 |
| Non-current lease liabilities | 230,536 | 211,844 |
| Net employee defined benefit liabilities (Note 4) | 5,150 | 4,607 |
| Long-term trade and other payables | 330 | 330 |
| Deferred revenue | 572 | 660 |
| Deferred tax liabilities | 959 | 967 |
| Current liabilities | 232,597 | 248,837 |
| Trade and other current payables | 124,999 | 145,629 |
| Contract liabilities | 511 | 394 |
| Short-term borrowings (Note 9) | 41,963 | 42,317 |
| Current lease liabilities | 59,687 | 56,043 |
| Income tax payable | 5,133 | 4,149 |
| Provisions | 305 | 305 |
| Total liabilities | 565,045 | 558,700 |
| Total equity and liabilities | 706,191 | 701,316 |

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024
(UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)

| | Issued capital | Share premium | Treasury shares | 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 2024 | 581,990 | (519,998) | (2,037) | 3,894 | (1,283) | 79,825 | (261) | 142,130 | 486 | 142,616 |
| Profit | - | - | - | - | - | 40,729 | - | 40,729 | 389 | 41,118 |
| Other comprehensive income | | | | | | | | | | |
| Exchange differences on translation | - | - | - | - | - | - | (124) | (124) | (10) | (134) |
| Total comprehensive income | - | - | - | - | - | 40,729 | (124) | 40,605 | 379 | 40,984 |
| Acquisition of own shares | - | - | (1,289) | - | - | - | - | (1,289) | - | (1,289) |
| Share based remuneration - exercised shares options (Note 10.2) | - | - | 2,037 | (2,037) | - | - | - | - | - | - |
| Share based remuneration | - | - | - | 533 | - | - | - | 533 | - | 533 |
| Loss related to acquisition of treasury shares | - | - | - | - | - | (398) | - | (398) | - | (398) |
| Dividends declared | - | - | - | - | - | (40,739) | - | (40,739) | (561) | (41,300) |
| At 30 June 2024 | 581,990 | (519,998) | (1,289) | 2,390 | (1,283) | 79,417 | (385) | 140,842 | 304 | 141,146 |

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024
(UNAUDITED)

All amounts in RON thousand, unless specified otherwise

| | 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 | 116,364 |
| Profit | - | - | - | - | 16,427 | - | 16,427 | 230 | 16,657 |
| Other comprehensive income | | | | | | | | | |
| Exchange differences on translation | - | - | - | - | - | (3) | (3) | 9 | 6 |
| Total comprehensive income | | | | | 16,427 | (3) | 16,424 | 239 | 16,663 |
| Dividends declared | - | - | - | - | - | - | - | (393) | (393) |
| At 30 June 2023 | 581,990 | (519,998) | 1,502 | (1,115) | 70,439 | (327) | 132,491 | 143 | 132,633 |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2024 (UNAUDITED)

| | Six-month period ended | |
|--------------------------------------------------------------------------------------------------|-------------------------------|-----------------|
| | 30 June | 30 June |
| | 2024 | 2023 |
| Operating activities | | |
| Profit before tax | 50,337 | 22,300 |
| <i>Adjustments to reconcile profit before tax to net cash flows:</i> | | |
| Depreciation of right-of-use assets | 32,527 | 32,095 |
| Depreciation and impairment of property, plant and equipment | 20,321 | 18,870 |
| Amortisation and impairment of intangible assets and goodwill | 2,380 | 2,988 |
| Adjustments for share-based remuneration | 134 | - |
| Adjustments for unrealised foreign exchange losses/(gains) | 172 | 1,280 |
| Adjustments for (gain)/loss on disposal of property, plant and equipment and right-of-use assets | (88) | (155) |
| Adjustments for finance income | (174) | (1,036) |
| Adjustments for finance costs (interest) | 12,388 | 12,465 |
| Movements in provisions, net | - | (748) |
| Working capital adjustments: | | |
| Adjustments to decrease/(increase) in trade and other receivables and prepayments | (742) | (144) |
| Adjustments for decrease/(increase) in inventories | 1,246 | 576 |
| Adjustments for (decrease)/increase in trade and other payables | (20,667) | (353) |
| Interest received classified as operating activities | 145 | 1,036 |
| Interest paid classified as operating activities | (12,050) | (12,061) |
| Income tax paid | (8,961) | (4,350) |
| Cash flows from in operating activities | 76,969 | 72,761 |
| Investing activities | | |
| Proceeds from sale of property, plant and equipment | 106 | 317 |
| Purchase of intangible assets | (2,091) | (1,476) |
| Purchase of property, plant and equipment | (23,718) | (23,748) |
| Cash flows used in investing activities | (25,704) | (24,907) |
| Financing activities | | |
| Acquisition of treasury shares | (1,289) | - |
| Proceeds from borrowings | 24,122 | - |
| Repayment of borrowings | (21,124) | (42,371) |
| Payment of lease liabilities | (32,132) | (29,757) |
| Dividends paid to equity holders of the parent | (39,906) | (19,847) |
| Dividends paid to non-controlling interests | (280) | - |
| Cash flows used in financing activities | (70,608) | (91,975) |
| Net (decrease)/increase in cash and cash equivalents | (19,342) | (44,121) |
| Net foreign exchange differences | (56) | (72) |
| Cash and cash equivalents at 1 January | 98,147 | 128,089 |
| Cash and cash equivalents at 30 June | 78,749 | 83,896 |

**SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)**

All amounts in RON thousand, unless specified otherwise

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (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 125 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 (29 restaurants and one sub-franchise as at 30 June 2024) under the “Pizza Hut” brand and one chain of restaurants under the “Taco Bell” brand (15 restaurants as at 30 June 2024).

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 consolidated unaudited financial statements of the Group as of and for the six-month period ended 30 June 2024 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 2023.

The interim condensed consolidated financial statements for six-month period ended 30 June 2024 included in this report are unaudited.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2024 (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 2023. The amendments effective from 1 January 2024 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 exchange rates as at 30 June 2024 and 31 December 2023 and the average exchange rates for the six-month period ended 30 June 2024 and 30 June 2023 were:

| | Closing exchange rates | | Average exchange rates | |
|-----------|------------------------|------------------|-------------------------------------|-------------------------------------|
| | 30 June 2024 | 31 December 2023 | Six-month period ended 30 June 2024 | Six-month period ended 30 June 2023 |
| RON – EUR | 4.9771 | 4.9746 | 4.9743 | 4.9335 |
| RON – USD | 4.6489 | 4.4958 | 4.6008 | 4.5637 |
| RON – MDL | 0.2594 | 0.2570 | 0.2590 | 0.2482 |

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 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.

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

3 GROUP INFORMATION

Details of the Group consolidated subsidiaries at 30 June 2024 and 31 December 2023 are as follows:

| Company name | Country of incorporation | Field of activity | Control 30 June 2024 | Control 31 December 2023 |
|-------------------------------|---------------------------------|--------------------------|-------------------------------------|-----------------------------------------|
| 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

| | Six-month period ended | |
|------------------------------------------------------------------------------------|-------------------------------|---------------------|
| | 30 June 2024 | 30 June 2023 |
| Payroll and employee benefits recognized in restaurant expenses | 169,126 | 163,303 |
| Payroll and employee benefits recognized in "General and administrative expenses " | 22,485 | 20,814 |
| Total Payroll and employee benefits | 191,611 | 184,117 |

Payroll costs of RON 878 thousand representing the value of project management and other technical activities performed by the Group's employees during the six-month period ended 30 June 2024 (2023: RON 868 thousand) 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 RON 5,150 thousand (RON 4,607 thousand as at 31 December 2023) 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".

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5 OTHER OPERATING EXPENSES

| | Six-month period ended | |
|--------------------------------------------------------------------------------------|-------------------------------|---------------------|
| | 30 June 2024 | 30 June 2023 |
| Third-party services | 50,571 | 46,908 |
| Utilities | 18,336 | 20,333 |
| Maintenance and repairs | 8,444 | 8,293 |
| Cleaning supplies | 5,084 | 4,812 |
| Transport | 4,084 | 4,263 |
| Smallwares | 2,121 | 2,319 |
| Bank charges | 3,115 | 2,692 |
| Excise duty | 675 | - |
| Telephone and postage | 585 | 625 |
| Insurance | 269 | 246 |
| Net (gain)/loss on disposal of property, plant and equipment and right-of-use assets | (88) | (155) |
| Miscellaneous expenses and revenues | 1,761 | 1,349 |
| Total | 94,955 | 91,684 |

6 GENERAL AND ADMINISTRATIVE EXPENSES

| | Six-month period ended | |
|-----------------------------------------------------------------|-------------------------------|---------------------|
| | 30 June 2024 | 30 June 2023 |
| Payroll and employee benefits | 22,485 | 20,814 |
| Third-party services | 3,740 | 3,238 |
| Depreciation, amortization and impairment of non-current assets | 2,964 | 3,678 |
| Rent | 99 | 126 |
| Banking charges | 339 | 368 |
| Transport | 640 | 603 |
| Maintenance and repairs | 160 | 225 |
| Smallwares | 59 | 65 |
| Insurance | 159 | 257 |
| Advertising | - | 60 |
| Telephone and postage | 185 | 180 |
| Miscellaneous expenses and revenues | 240 | 282 |
| Total | 31,070 | 29,895 |

7 DEPRECIATION AND AMORTIZATION

| | Six-month period ended | |
|---------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------|
| | 30 June 2024 | 30 June 2023 |
| Depreciation of right-of-use assets recognized in "Restaurant expenses" | 30,993 | 30,403 |
| Depreciation, amortization and impairment of other non-current assets recognized in "Restaurant expenses" | 21,272 | 19,872 |
| Depreciation, amortization and impairment recognized in "Restaurant expenses" | 52,265 | 50,275 |
| Depreciation of non-operating right-of-use assets recognized in "General and administrative expenses" | 1,534 | 1,692 |
| Depreciation, amortization and impairment of non-current assets recognized in "General and administrative expenses" | 1,430 | 1,986 |
| Depreciation, amortization and impairment recognized in "General and administrative expenses" | 2,964 | 3,678 |
| Total depreciation, amortization and impairment | 55,229 | 53,953 |

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All amounts in RON thousand, unless specified otherwise

8 FINANCE COSTS

| | Six-month period ended | |
|---------------------------------------|-------------------------------|---------------------|
| | 30 June 2024 | 30 June 2023 |
| Interest on loans and borrowings | 4,774 | 5,703 |
| Interest expense on lease liabilities | 7,552 | 6,745 |
| Interest cost on benefit obligation | 61 | 18 |
| Foreign exchange loss | 383 | 1,420 |
| Total finance costs | 12,771 | 13,885 |

9 BORROWINGS

| | Interest rate, % | Maturity | 30 June 2024 | 31 December 2023 |
|-------------------------------------|------------------------------|------------------------------|---------------------|-------------------------|
| Current borrowings | | | | |
| Current portion of bank loan | EURIBOR 3M + relevant spread | 6 years from each withdrawal | 41,963 | 42,317 |
| Total current borrowings | | | 41,963 | 42,317 |
| Non-current borrowings | | | | |
| Non-current portion of bank loan | EURIBOR 3M + relevant spread | 6 years from each withdrawal | 94,901 | 91,455 |
| Total non-current borrowings | | | 94,901 | 91,455 |
| Total borrowings | | | 136,864 | 133,772 |

The Group's financing facilities consist of:

- Financing facilities with Alpha Bank as follows: an uncommitted long term credit facility in maximum amount of EUR 42,167,000 for the development of new locations and financing of the foreign subsidiaries, a credit facility for issuance of bank guarantee letters of EUR 3,5 million, entirely used as at 30 June 2024, as well as a multi-optional short-term facility in a maximum amount of RON 20.3 million for financing of working capital, entirely available as at 30 June 2024. The loan facilities are secured with property, plant and equipment of restaurant locations for which the credit limited has been utilised, pledge on business goodwill, pledge on current accounts opened with the bank, promissory notes issued, pledge on receivables from and shares owned by the Group in its subsidiaries from Moldova and Italy.

- A short-term borrowing arrangement (Sphera Franchise Group – Borrower) with Vista Bank Romania in total amount of RON 10 million valid until 30 June 2024. Credit facility was revolving and was used by the Borrower for financing of working capital needs, issuance of letters of guarantees and of generic company costs, as well as intragroup loans. At expiration date, 30 June 2024, this loan facility was not extended anymore. As of 30 June 2024, and 31 December 2023, respectively, the loan balance with Vista Bank is nil.

- A short-term credit facility agreement with Intesa Sanpaolo Romania Bank (USFN Romania - Borrower and Sphera Franchise Group SA - Guarantor). The uncommitted credit facility amounting to RON 9.6 million and valid until August 2024 is revolving and may be used by the Borrower to finance the working capital needs. As of 30 June 2024, the loan facility balance with Intesa Sanpaolo is nil (31 December 2023: RON 0).

- An uncommitted short-term facility agreement signed in June 2024 with Citibank Europe PLC Dublin – Romania Branch by Sphera Franchise Group SA and USFN Romania, as Borrowers, in total amount of EUR 3.5 million to be used by the borrowers for issuance of letters of guarantee for borrowers' use or on behalf of other Group entities. The facility is secured with a movable mortgage on the bank accounts of the borrowers opened at the Bank. As of 30 June 2024, the loan facility had not yet been used.

Covenants:

The Group's borrowing arrangement with Alpha Bank contains several covenants, mainly of quantitative nature, out of which the most important relates to the ratio bank net debt, including non-cash loan utilized for letter of guarantee / EBITDA at a consolidated level, excluding the impact of IFRS 16, which should not exceed at any point in time 2.5. The facility agreement with Citibank contains the same covenant.

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Breaches in meeting the financial covenant at Group consolidated level would permit the banks to call the loan amounts needed to meet the financial covenant. There have been no breaches of the consolidated financial covenant for the years ended 31 December 2023 and 31 December 2022.

The Group's short-term borrowing arrangement with the Intesa Sanpaolo contains a financial covenant at standalone level, respectively: the Borrower's ratio Total debt/ EBITDA should not exceed 4.4. Breaches in meeting the financial covenant at individual level would permit the bank to call the loan amount. There have been no breaches of the consolidated financial covenant for the years ended 31 December 2023 and 31 December 2022.

10 EQUITY

10.1 Issued capital

| | 30 June 2024 | 31 December 2023 |
|--------------------------------|-------------------------|-----------------------------|
| Authorised shares | | |
| Ordinary shares of 15 RON each | 38,799,340 | 38,799,340 |
| Share capital (RON thousand) | 581,990 | 581,990 |

As at 30 June 2024, Sphera Group held 33,888 own treasury shares, representing 0.087% of the parent company's share capital (31 December 2023: 104,100 own treasury shares, representing 0.268%).

The shareholders of Sphera Franchise Group SA as of 30 June 2024 and 31 December 2023, respectively, are: Tatika Investments Ltd. (29.5466%), Computerland Romania SRL (20.5327%), Wellkept Group SA (17.0739%) and free float – own shares included (32.8468%).

10.2 Treasury shares

Sphera Group has in place a share option plan for senior executives, part of their variable remuneration being granted in shares of the parent company with a vesting period of one year from the date of granting.

In accordance with EGSM resolution no.2/26.04.2024, the Group initiated the first stage of the share buyback program in June 2024, acquiring 33,888 shares for the directors' Stock Option Plan related to the year 2023. The average buyback price was RON 38.0240/share, with the full price paid for the buyback shares repurchased amounting to RON 1,289 thousand. No gain or loss was recognized in profit or loss on the purchase, the difference between the purchase price and the fair value at the date of grant being recognized in equity as a loss related to the acquisition of treasury shares (RON 398 thousand).

As of June 30, 2024, the equity reserve associated with share-based remuneration stands at RON 2,390 thousand (RON 3,894 thousand as of December 31, 2023) for the qualifying variable remuneration. During the first semester of the year 2024, the Group allocated 104,100 free shares with a total value of RON 2,037 thousand to the executive directors. This allocation was made by offsetting the "Treasury shares" against the related "Reserves for share-based remuneration".

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All amounts in RON thousand, unless specified otherwise

11 EBITDA

| | Six-month period ended | |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------|
| | 30 June 2024 | 30 June 2023 |
| Operating profit | 62,934 | 35,149 |
| Adjustments to bridge operating profit to EBITDA: | | |
| Depreciation, amortization and impairment of non-current assets included in restaurant expenses | 52,265 | 50,275 |
| Depreciation, amortization and impairment of non-current assets included in general and administrative expenses | 2,964 | 3,678 |
| EBITDA | 118,162 | 89,102 |
| Normalization adjustments | - | - |
| Normalised EBITDA | 118,162 | 89,102 |

For the six-month period ended 30 June 2024 and 30 June 2023, no EBTDA normalization adjustment was required.

12 RELATED PARTY DISCLOSURES

During the six-month period ended 30 June 2024 and 30 June 2023 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 |
| Radu Dimofte | Beneficial owner of Wellkept Group SA, Tatika Investments Ltd and ultimate controlling party of the Group | Romania | Rent store KFC Mosilor |
| Computerland Romania SRL | Shareholder with significant influence | Romania | Payment of dividends, acquisition of IT equipment, licenses |
| 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 |

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

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All amounts in RON thousand, unless specified otherwise

| | Transactions during the six-month period ended 30 June 2024 | | Balances as at 30 June 2024 | |
|-----------------------------------------------|-------------------------------------------------------------|----------------------------------------------|---------------------------------|---------------------------------|
| | Sales to related parties (without VAT) | Purchases from related parties (without VAT) | Amounts owed by related parties | Amounts owed to related parties |
| Wellkept Group SA | - | 247 | - | 10 |
| Grand Plaza Hotel SA | - | 634 | 66 | 20 |
| Arggo Software Development and Consulting SRL | - | 603 | - | 24 |
| Dorobanti 239 Imobiliare SRL | - | 1,816 | - | 25 |
| Baneasa Developments SRL | - | 2,335 | - | 198 |
| Baneasa Investments SA | - | 345 | 172 | - |
| Computerland Romania SRL | 29 | 214 | 5 | - |
| Elicom SRL | - | 296 | - | 54 |
| Elicom Connect SRL | - | - | - | 0 |
| Radu Dimofte | - | 49 | - | - |
| Moulin D'Or SRL | - | 4 | - | - |
| Parc Hotels SA | - | 67 | - | - |
| | 29 | 6,608 | 243 | 331 |

| | Transactions during the six-month period ended 30 June 2023 | | Balances as at 31 December 2023 | |
|-----------------------------------------------|-------------------------------------------------------------|--------------------------------|---------------------------------|---------------------------------|
| | Sales to related parties | Purchases from related parties | Amounts owed by related parties | Amounts owed to related parties |
| Wellkept Group SA | - | 245 | - | 19 |
| Midi Development SRL | - | 7 | - | 17 |
| Grand Plaza Hotel SA | - | 599 | 66 | 25 |
| Arggo Software Development and Consulting SRL | - | 577 | - | 113 |
| Dorobanti 239 Imobiliare SRL | - | 1,802 | - | 131 |
| Baneasa Developments SRL | - | 2,238 | - | 202 |
| Baneasa Investments SA | - | 332 | 128 | 68 |
| Computerland Romania SRL | 11 | 2 | 7 | 9 |
| Elicom SRL | - | 382 | - | 68 |
| Elicom Connect SRL | - | - | - | 1 |
| Radu Dimofte | - | 46 | - | - |
| Moulin D'Or SRL | - | 3 | - | - |
| | 11 | 6,233 | 201 | 653 |

Compensation of key management personnel of the Group:

| | Six-months ended | |
|-----------------------------------------------------------|------------------|--------------|
| | 30 June 2024 | 30 June 2023 |
| Short-term employee benefits | 4,920 | 5,490 |
| Total compensation of the key management personnel | 4,920 | 5,490 |

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

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

13 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

Inter-segment revenues are presented in the "Inter-segment revenues" line and eliminated during consolidation.

| Six-month period ended 30 June 2024 | KFC | Pizza Hut | Taco Bell | Other | Eliminations | Consolidated |
|--------------------------------------------|----------------|------------------|------------------|----------------|---------------------|---------------------|
| Revenues from external customers | 644,609 | 53,116 | 42,291 | (7) | - | 740,009 |
| Inter-segment revenues | - | - | - | 20,818 | (20,818) | - |
| Other income | 673 | 364 | 19 | - | (37) | 1,019 |
| Dividend revenues | - | - | - | 94,025 | (94,025) | - |
| Operating expenses | 579,203 | 57,586 | 40,557 | 21,565 | (20,818) | 678,093 |
| Segment operating profit/(loss) | 66,079 | (4,106) | 1,753 | 93,271 | (94,062) | 62,934 |
| Finance costs | 11,321 | 1,376 | 1,139 | 1,921 | (2,987) | 12,771 |
| Finance income | 2,052 | 2 | - | 1,106 | (2,987) | 174 |
| Income tax expense | 9,068 | - | 127 | 23 | - | 9,218 |
| Net profit/(loss) | 47,742 | (5,480) | 486 | 92,432 | (94,061) | 41,118 |
| Total assets | 612,860 | 42,481 | 36,413 | 126,715 | (112,279) | 706,191 |
| Total liabilities | 575,636 | 67,221 | 37,962 | 54,276 | (170,050) | 565,045 |
| Six-month period ended 30 June 2023 | KFC | Pizza Hut | Taco Bell | Other | Eliminations | Consolidated |
| Revenues from external customers | 595,939 | 58,964 | 40,678 | - | - | 695,580 |
| Inter-segment revenues | 2 | - | - | 19,664 | (19,666) | - |
| Dividend revenues | - | - | - | 73,003 | (73,003) | - |
| Operating expenses | 555,879 | 63,552 | 40,430 | 20,164 | (19,594) | 660,431 |
| Segment operating profit/(loss) | 40,062 | (4,588) | 248 | 72,503 | (73,075) | 35,149 |
| Finance costs | 11,346 | 1,245 | 1,080 | 1,959 | (1,744) | 13,885 |
| Finance income | 1,287 | 9 | - | 1,484 | (1,744) | 1,036 |
| Income tax expense | 5,820 | - | 120 | (297) | - | 5,643 |
| Net profit/(loss) | 24,182 | (5,824) | (953) | 72,326 | (73,075) | 16,657 |
| Total assets | 590,582 | 56,166 | 41,702 | 142,521 | (136,029) | 694,941 |
| Total liabilities | 572,908 | 64,584 | 45,560 | 73,168 | (193,912) | 562,308 |

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

| | | | | | | |
|--------------------------|----------------|---------------|---------------|---------------|------------------|----------------|
| Total assets | | | | | | |
| 31 December 2023 | 604,684 | 43,104 | 41,240 | 79,461 | (67,173) | 701,316 |
| Total liabilities | | | | | | |
| 31 December 2023 | 520,617 | 62,364 | 43,275 | 57,427 | (124,983) | 558,700 |

Geographic information:

| Revenue from external customers | Six-month period ended | |
|----------------------------------------|-------------------------------|---------------------|
| | 30 June 2024 | 30 June 2023 |
| Romania | 639,470 | 600,484 |
| Italy | 89,624 | 85,315 |
| Republic of Moldova | 10,916 | 9,781 |
| Total restaurant revenue | 740,009 | 695,580 |

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

Bucharest, 30 August 2024

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes



**INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS AS OF AND FOR
SIX-MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)**

Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards.

The interim condensed separate financial statements are unaudited.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)
Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016
All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)

| | | Six-month period ended | |
|---------------------------------------------|-------------|-------------------------------|---------------------|
| | Note | 30 June 2024 | 30 June 2023 |
| Revenues | | | |
| Dividend revenues | 7 | 94,025 | 73,003 |
| Revenue from contracts with related parties | 7 | 20,810 | 19,664 |
| Other income | | 1 | 29 |
| Total revenues | | 114,836 | 92,696 |
| Expenses | | | |
| Payroll and employee benefits | | 17,878 | 16,667 |
| Other expenses | 3 | 3,689 | 3,526 |
| Total expenses | | 21,567 | 20,193 |
| Profit from operating activities | | 93,270 | 72,503 |
| Finance costs | | 1,927 | 1,959 |
| Finance income | | 1,112 | 1,484 |
| Profit before tax | | 92,454 | 72,028 |
| Income tax expense/(credit) | | 23 | (297) |
| Profit | | 92,432 | 72,325 |
| Comprehensive income | | 92,432 | 72,325 |

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

INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024 (UNAUDITED)

| | 30 June 2024 | 31 December 2023 |
|------------------------------------------------------------------|-------------------------|-----------------------------|
| Assets | | |
| Non-current assets | 706,033 | 702,814 |
| Property, plant and equipment | 1,357 | 1,546 |
| Right-of-use assets | 4,002 | 4,552 |
| Intangible assets | 633 | 651 |
| Investments in subsidiaries (Note 4) | 665,639 | 665,639 |
| Loan and other receivables | 34,168 | 30,192 |
| Deferred tax assets | 234 | 234 |
| Current assets | 86,321 | 42,286 |
| Trade and other current receivables (including short-term loans) | 82,379 | 39,233 |
| Current prepayments | 222 | 156 |
| Cash and cash equivalents | 3,721 | 2,897 |
| Total assets | 792,354 | 745,100 |
| Equity and liabilities | | |
| Equity | | |
| Issued capital (Note 6) | 581,990 | 581,990 |
| Treasury shares (Note 6) | (1,289) | (2,037) |
| Legal reserve | 13,894 | 13,894 |
| Retained earnings | 141,228 | 89,933 |
| Reserves for share-based remuneration (Note 6) | 2,256 | 3,894 |
| Total equity | 738,079 | 687,674 |
| Non-current liabilities | 36,682 | 40,056 |
| Long-term borrowings (Note 5) | 33,517 | 36,321 |
| Non-current lease liabilities | 3,166 | 3,735 |
| Current liabilities | 17,593 | 17,370 |
| Short-term borrowings (Note 5) | 7,758 | 7,765 |
| Current lease liabilities | 1,249 | 1,240 |
| Trade and other current payables | 8,281 | 8,060 |
| Provisions | 305 | 305 |
| Total liabilities | 54,276 | 57,426 |
| Total equity and liabilities | 792,354 | 745,100 |

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
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All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)

| | Issued capital | Treasury shares | Reserves for share-based remuneration | Legal reserves | Retained earnings | Total equity |
|----------------------------------------------------------------|----------------|-----------------|---------------------------------------|----------------|-------------------|----------------|
| As of 1 January 2024 | 581,990 | (2,037) | 3,894 | 13,894 | 89,933 | 687,674 |
| Profit | - | - | - | - | 92,432 | 92,432 |
| Total comprehensive income | - | - | - | - | 92,432 | 92,432 |
| Acquisition of shares | - | (1,289) | - | - | - | (1,289) |
| Share based remuneration - exercised shares options (Note 6.2) | - | 2,037 | (2,037) | - | - | - |
| Share based remuneration | - | - | 399 | - | - | 399 |
| Gain/(Loss) related to acquisition of treasury shares | - | - | - | - | (398) | (398) |
| Cash dividends paid/to be paid | - | - | - | - | (40,739) | (40,739) |
| As of 30 June 2024 | 581,990 | (1,289) | 2,256 | 13,894 | 141,228 | 738,079 |

| | Issued capital | Reserves for share-based remuneration | Legal reserves | Retained earnings | Total equity |
|-----------------------------------|----------------|---------------------------------------|----------------|-------------------|----------------|
| As of 1 January 2023 | 581,990 | 1,502 | 10,611 | 72,932 | 667,034 |
| Profit | - | - | - | 72,325 | 72,325 |
| Total comprehensive income | - | - | - | 72,325 | 72,325 |
| As of 30 June 2023 | 581,990 | 1,502 | 10,611 | 145,258 | 739,360 |

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All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)

| | Six-month period ended | |
|----------------------------------------------------------------------------------------------------|-------------------------------|---------------------|
| | 30 June 2024 | 30 June 2023 |
| Operating activities | | |
| Profit before tax | 90,419 | 72,029 |
| Adjustments to reconcile profit before tax to net cash flows: | | |
| Dividend revenue | (94,025) | (73,003) |
| Depreciation and amortization of property, plant and equipment, right-of-use and intangible assets | 1,000 | 999 |
| Adjustments for unrealised foreign exchange losses/(gains) | (3) | 88 |
| (Gain)/loss on disposal of property, plant and equipment | (1) | (29) |
| Adjustments for finance income (interest) | (1,078) | (1,484) |
| Adjustments for finance costs (interest) | 1,927 | 1,826 |
| Working capital adjustments: | | |
| Adjustments for decrease/(increase) in trade and other receivables and prepayments | 934 | (6,165) |
| Adjustments for (decrease)/increase in trade and other payables | (640) | (548) |
| Dividends received | 49,884 | 10,000 |
| Interest received classified as operating activities | 113 | 988 |
| Interest paid classified as operating activities | (891) | (1,150) |
| Cash flows from/used in operating activities | 47,639 | 3,551 |
| Investing activities | | |
| Purchase of property, plant and equipment and intangible assets classified as investing activities | (128) | (241) |
| Proceeds from sale of property, plant and equipment | 1 | 29 |
| Loans to related parties | (2,995) | - |
| Cash flows from/used in investing activities | (3,122) | (212) |
| Financing activities | | |
| Acquisition of treasury shares | 749 | - |
| Proceeds from borrowings | (0) | 88 |
| Repayment of borrowings | (3,858) | (4,422) |
| Payment of lease liabilities | (677) | (558) |
| Net dividends paid | (39,906) | (19,847) |
| Cash flows from/used in financing activities | (43,693) | (24,739) |
| Net increase/(decrease) in cash and cash equivalents | 824 | (21,400) |
| Cash and cash equivalents at 01 January | 2,897 | 28,533 |
| Cash and cash equivalents at 30 June | 3,721 | 7,133 |

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All amounts in RON thousand, unless specified otherwise

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024 (UNAUDITED)

1 REPORTING ENTITY

These interim condensed separate financial statements are prepared by Sphera Franchise Group SA. Sphera Franchise Group SA ("Sphera" or "the Company") was incorporated on 16 May 2017 as a joint stock company and is registered at No. 239 Calea Dorobanti, Bucharest, Romania. The Company renders management and support services such as marketing, project management and store network development, sales support, human resources and other services to its subsidiaries. Sphera Franchise Group SA is listed on Bucharest Stock Exchange under the symbol "SFG".

2 BASIS OF PREPARATION OF THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

The interim condensed separate unaudited financial statements of Sphera Franchise Group SA as of and for the six-month period ended 30 June 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed separate financial statements have been prepared on a historical cost basis and are presented in Romanian Lei ("RON"). All values are rounded to the nearest thousand RON, except when otherwise indicated; accordingly, there may be rounding differences.

The interim condensed separate financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual separate financial statements as at 31 December 2023.

The interim condensed separate financial statements for six-month period ended 30 June 2024 included in this report are unaudited.

General accounting policies

The accounting policies and valuation methods adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Company's annual separate financial statements for the year ended 31 December 2023.

The amendments to IFRS effective since 1 January 2024 do not have a material effect on the Company's interim condensed separate financial statements. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Foreign currencies

The exchange rates as at 30 June 2024 and 31 December 2023 and the average exchange rates for the six-month period ended 30 June 2024 and 30 June 2023 were:

| | Closing exchange rates | | Average exchange rates | |
|-----------|-------------------------------|-------------------------|--------------------------------------------|--------------------------------------------|
| | 30 June 2024 | 31 December 2023 | Six-month period ended 30 June 2024 | Six-month period ended 30 June 2023 |
| RON – EUR | 4.9771 | 4.9746 | 4.9743 | 4.9335 |
| RON – USD | 4.6489 | 4.4958 | 4.6008 | 4.5637 |

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

3 OTHER EXPENSES

| | Six-month period ended | |
|-------------------------------|-------------------------------|---------------------|
| | 30 June 2024 | 30 June 2023 |
| Third-party services | 1,898 | 1,831 |
| Depreciation and amortization | 1,000 | 999 |
| Travel expenses | 304 | 255 |
| Office supplies | 82 | 80 |
| Insurance | 32 | 58 |
| Other taxes | 61 | 58 |
| Rental expenses | 60 | 44 |
| Banking charges | 17 | 18 |
| Maintenance and repairs | 34 | 89 |
| Utilities | 27 | 28 |
| Advertising | 102 | 15 |
| Miscellaneous expenses | 72 | 51 |
| Total | 3,689 | 3,526 |

4 INVESTMENTS IN SUBSIDIARIES

Details of the carrying value of investments in subsidiaries as of 30 June 2024 and 31 December 2023, respectively are as follows:

| Company name | Country of incorporation | Field of Activity | Share interest percent | Carrying value as at 30 June 2024 | Carrying value as at 31 December 2023 |
|----------------------------------------|---------------------------------|--------------------------|-------------------------------|------------------------------------------|----------------------------------------------|
| US Food Network SA | Romania | Restaurants | 99.9997% | 519,704 | 519,704 |
| American Restaurant System SA (Note 7) | Romania | Restaurants | 99.9997% | 49,773 | 49,773 |
| California Fresh Flavors SRL (Note 7) | Romania | Restaurants | 99.9900% | 16,528 | 16,528 |
| US Food Network SRL | Moldova | Restaurants | 80.0000% | 1,735 | 1,735 |
| US Food Network SRL | Italy | Restaurants | 100.0000% | 77,899 | 77,899 |
| Total | | | | 665,639 | 665,639 |

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All amounts in RON thousand, unless specified otherwise

5 BORROWINGS

| | <u>Interest rate, %</u> | <u>Maturity</u> | <u>30 June 2024</u> | <u>31 December 2023</u> |
|-----------------------------------------------------------------|------------------------------|-------------------------------------------|---------------------|-------------------------|
| Short-term borrowings | | | | |
| Current portion of the long-term bank loan | EURIBOR 3M + relevant spread | 6 years from each withdrawal | 7,758 | 7,765 |
| Total current borrowings | | | 7,758 | 7,765 |
| Long-term borrowings | | | | |
| Long-term portion of the bank loan | EURIBOR 3M + relevant spread | 6 years from each withdrawal | 10,387 | 14,156 |
| Loan from related parties (including accrued interest) (Note 7) | EURIBOR 3M + relevant spread | Within 5 years from contract signing date | 23,197 | 22,165 |
| Total long-term borrowings | | | 33,517 | 36,321 |
| Total borrowings | | | 41,275 | 44,086 |

The Company's financing facilities consist of:

- A multicurrency long term credit facility from its subsidiary US FOOD NETWORK SA, with term extension option, the maximum limit being EUR 20 million. The credit facility is valid until March 2027 and does not contain covenants or other special terms.
- A credit facility from Alpha Bank Romania signed jointly by the Company and its Romanian subsidiaries. As at 30 June 2024, the Company may, jointly with other companies from Sphera Group, draw from one sub-limit dedicated to financing the Italian subsidiary. The loan is secured with pledge on current accounts opened with the bank, promissory notes issued, pledge on receivables from and shares owned by the Company in its Moldova and Italia subsidiary as well as on future dividends from these subsidiaries.

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5 BORROWINGS (continued)

- A short-term borrowing arrangement with Vista Bank Romania in total amount of RON 10 million valid until 30 June 2024. The credit facility is revolving and may be used by the Borrower for financing of working capital needs and of generic company costs, as well as intragroup loans. At expiration date, 30 June 2024, this loan facility was not extended anymore. As of 30 June 2024, and 31 December 2024, respectively, the loan balance with Vista Bank is nil.
- An uncommitted short-term facility agreement signed in June 2024 with Citibank Europe PLC Dublin – Romania Branch by Sphera Franchise Group SA and USFN Romania, as Borrowers, in total amount of EUR 3.5 million to be used by the borrowers for issuance of letters of guarantee for borrowers' use or on behalf of other Group entities. The facility is secured with a movable mortgage on the bank accounts of the borrowers opened at the Bank. As at 30 June 2024, the loan facility had not yet been used.

6 EQUITY

6.1 Issued capital

| | 30 June 2024 | 31 December 2023 |
|--------------------------------|-------------------------|-----------------------------|
| Authorised shares | | |
| Ordinary shares of 15 RON each | 38,799,340 | 38,799,340 |
| Share capital (RON thousand) | 581,990 | 581,990 |

As at 30 June 2024, Sphera Group held 33,888 own treasury shares, representing 0.087% of the share capital (31 December 2023: 104,100 own treasury shares, representing 0.268%).

The shareholders of Sphera Franchise Group SA as of 30 June 2024 and 31 December 2023, respectively, are: Tatika Investments Ltd. (29.5466%), Computerland Romania SRL (20.5327%), Wellkept Group SA (17.0739%) and free float – own shares included (32.8468%).

6.2 Treasury shares

Sphera Group has in place a share option plan for senior executives, part of their variable remuneration being granted in shares with a vesting period of one year from the date of granting.

In accordance with EGSM resolution no.2/26.04.2024, the Company initiated the first stage of the share buyback program in June 2024, acquiring 33,888 shares for the directors' Stock Option Plan related to the year 2023. The average buyback price was RON 38.0240/share, with the full price paid for the buyback shares repurchased amounting to RON 1,289 thousand. No gain or loss was recognized in profit or loss on the purchase, the difference between the purchase price and the fair value at the date of grant being recognized in equity as a loss related to the acquisition of treasury shares (RON 398 thousand).

As of June 30, 2024, the equity reserve associated with share-based remuneration stands at RON 2,390 thousand (RON 3,894 thousand as of December 31, 2023) for the qualifying variable remuneration. During the first semester of the year 2024, the Group allocated 104,100 free shares with a total value of RON 2,037 thousand to the executive directors. This allocation was made by offsetting the "Treasury shares" against the related "Reserves for share-based remuneration".

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7 RELATED PARTY DISCLOSURES

During the six-month period ended 30 June 2024 and 30 June 2023 respectively, the Company has carried out transactions with the following related parties:

| Related party | Nature of the relationship | Country of incorporation | Nature of transactions |
|-----------------------------------------------|--------------------------------------------------|---------------------------------|----------------------------------------------------------------------------------------|
| US Food Network SA | Subsidiary | Romania | Dividends received, loan received, sale of services, acquisition of goods and services |
| American Restaurant System SA | Subsidiary | Romania | Sale of services, loan provided, acquisition of goods and services, VAT tax group |
| California Fresh Flavors SRL | Subsidiary | Romania | Loan provided, sale of services |
| US Food Network SRL | Subsidiary | Republic of Moldova | Dividends received |
| US Food Network SRL | Subsidiary | Italy | Sale of services, loan provided |
| Arggo Software Development and Consulting SRL | Entity affiliated to shareholders of the parent | Romania | IT services |
| Wellkept Group SA | Shareholder | Romania | Rent, dividends |
| Computerland Romania SRL | Shareholder | Romania | Dividends, acquisition of IT equipment/licenses |
| Moulin D'Or SRL | Entity affiliated to shareholders of the parent | Romania | Acquisition of goods |
| Elicom SRL | Entity affiliated to a shareholder of the parent | Romania | Call-centre services |
| Midi Development SRL | Entity affiliated to shareholders of the parent | Romania | Services |

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

| Related party | Six-month period ended 30 June 2024 | | | 30 June 2024 | |
|-----------------------------------------------|--------------------------------------------|----------------------------|--------------------------------|----------------------------------------|----------------------------------------|
| | Dividends revenues | Sales (without VAT) | Purchases (without VAT) | Amounts owed by related parties | Amounts owed to related parties |
| US Food Network SA | 89,722 | 16,613 | 3 | 73,055 | 0 |
| US Food Network SRL (Republic of Moldova) | 2,160 | - | - | 1,086 | - |
| American Restaurant System SA | - | 2,195 | 4 | 7,566 | 2 |
| California Fresh Flavors SRL | - | 1,205 | - | 326 | - |
| US Food Network SRL (Italy) | 2,143 | 795 | - | 170 | - |
| Wellkept Group SA | - | - | 247 | - | 10 |
| Arggo Software Development and Consulting SRL | - | - | 128 | - | 20 |

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All amounts in RON thousand, unless specified otherwise

| | | | | | |
|------------------------------------------------------------|---------------|---------------|------------|----------------|---------------|
| Computerland Romania SRL | - | - | 33 | - | - |
| Moulin D'Or SRL | - | - | 3 | - | - |
| Elicom SRL | - | - | 8 | - | 2 |
| Loans and interest from related parties (please see below) | - | - | - | - | 23,197 |
| Loans and interest to related parties (please see below) | - | - | - | 34,118 | - |
| Total | 94,025 | 20,808 | 426 | 116,321 | 23,231 |

| Related party | Six-month period ended 30 June 2023 | | | 31 December 2023 | |
|------------------------------------------------------------|----------------------------------------|---------------------------|-------------------------------|------------------------------------------|------------------------------------------|
| | Dividends revenues | Sales (without VAT) | Purchases (without VAT) | Amounts owed by related parties | Amounts owed to related parties |
| US Food Network SA | 71,469 | 15,245 | 2 | 33,379 | 3 |
| US Food Network SRL (Moldova) | 1,534 | - | - | 3 | - |
| American Restaurant System SA | - | 2,422 | - | 4,963 | - |
| California Fresh Flavors SRL | - | 1,199 | - | 473 | - |
| US Food Network SRL (Italy) | - | 798 | - | 135 | - |
| Wellkept Group SA | - | - | 245 | - | 19 |
| Arggo Software Development and Consulting SRL | - | - | 93 | - | - |
| Moulin D'Or SRL | - | - | 0 | - | - |
| Elicom SRL | - | - | 12 | - | 3 |
| Computerland Romania SRL | - | - | 2 | - | 9 |
| Midi Development SRL | - | - | 0 | - | - |
| Loans and interest from related parties (please see below) | - | - | - | - | 22,165 |
| Loans and interest to related parties (please see below) | - | - | - | 30,141 | - |
| Total | 73,003 | 19,664 | 354 | 69,094 | 22,199 |

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

Interest income and interest expense and related accrued balances as well as the balances of the intercompany loan receivables and payables are presented below:

| | Six-month period ended 30 June 2024 | 30 June 2024 | |
|-------------------------------|----------------------------------------------------|----------------------------|------------------------|
| Related party | Interest expense | Interest payable | Loan payable |
| US Food Network SA | 1,026 | 1,576 | 21,621 |
| Total | 1,026 | 1,576 | 21,621 |
| | Interest income | Interest receivable | Loan receivable |
| US Food Network SRL (Italy) | 948 | 6,833 | 24,273 |
| American Restaurant System SA | 14 | 14 | 2,000 |
| US Food Network SRL (Moldova) | 3 | 3 | 995 |
| Total | 965 | 6,850 | 27,268 |
| | Six-month period ended 30 June 2023 | 31 December 2023 | |
| Related party | Interest expense | Interest payable | Loan payable |
| US Food Network SA | 595 | 548 | 21,617 |
| Total | 595 | 548 | 21,617 |
| | Interest income | Interest receivable | Loan receivable |
| US Food Network SRL (Italy) | 482 | 5,881 | 24,260 |
| Total | 482 | 5,881 | 24,260 |

The intercompany loans granted by the Company to its subsidiaries are payable within a period of five years. The loans to US Food Network SRL (Italy), California Fresh Flavors and American Restaurant System Sa are valid until 2028. The loan granted in June 2024 to US Food Network SRL (Moldova) is valid until 2029. All intercompany loans bear a variable rate of EURIBOR 3M+ margin.

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 trade balances at the period end are unsecured, interest free and settled in cash.

Compensation of key management personnel of the Company:

| | Six-month period ended | |
|------------------------------------------------------------|-------------------------------|---------------------|
| | 30 June 2024 | 30 June 2023 |
| Short-term employee benefits | 3,462 | 3,822 |
| Total compensation paid to key management personnel | 3,462 | 3,822 |

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

Bucharest, 30 August 2024

Chief Executive Officer
Calin Ionescu

Chief Financial Officer
Valentin Budes