

To:

**BURSA DE VALORI BUCUREŞTI S.A.
AUTORITATEA DE SUPRAVEGHERE FINANCIARĂ**

CURRENT REPORT 37/2020

According to Law no. 24/2017 regarding issuers of financial instruments and market operations, ASF Regulation no. 5/2018 regarding the issuers of financial instruments and market operations and/or Rulebook of the Bucharest Stock Exchange Market Operator.

Date of report	15.12.2020
Name of the Company	Sphera Franchise Group SA
Registered Office	Bucharest, Romania
Address	Calea Dorobanților nr. 239, 2nd floor, Bucharest sector 1
Phone / Fax	+40 21 201 17 57 / +40 21 201 17 59
Email	investor.relations@spheragroup.com
Registration nr. with Trade Registry	J40/7126/2017
Fiscal Code	RO 37586457
Subscribed and paid share capital	581,990,000 RON
Total number of shares	38,799,340
Symbol	SFG
Market where securities are traded	Bucharest Stock Exchange, Main Segment, Premium Category

Important events to be reported: Availability of the unaudited interim condensed separate financial statements for the six-month period ended 30 June 2020

Sphera Franchise Group SA informs the shareholders and investors about the availability of the unaudited interim condensed separate (individual) financial statements for Sphera Franchise Group SA for the six-month period ended 30 June 2020.

The separate financial statements for Sphera Franchise Group SA are available on the company's website, www.spheragroup.com, in the Investor Relations section, on the website of the Bucharest Stock Exchange, www.bvb.ro, as well as are attached to this Report.

CHIEF EXECUTIVE OFFICER

Calin Ionescu

CHIEF FINANCIAL OFFICER

Valentin Budes



SPHERA FRANCHISE GROUP SA

**INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
(UNAUDITED)**

As of and for six-month period ended 30 June 2020

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

SPHERA FRANCHISE GROUP SA**INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (UNAUDITED)**

Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016

30 June 2020

*All amounts in RON thousand, unless specified otherwise***INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED)**

		Six-month period ended	
	Note	30 June 2020	30 June 2019
Revenues			
Dividend revenues	7	-	51,239
Revenue from service contracts	7	12,299	13,402
Total revenues		12,299	64,641
Expenses			
Payroll and employee benefits*		11,117	11,473
Other expenses	3	3,730	3,668
Total expenses		14,847	15,141
Operating profit/(loss)		(2,548)	49,500
Finance costs		873	1,008
Finance income		1,000	886
Profit/(Loss) before tax		(2,421)	49,378
Income tax		192	(204)
Profit/(Loss) for the period		(2,613)	49,582
Total comprehensive income for the period, net of tax		(2,613)	49,582

* Payroll and employee benefits were netted off by (443) representing technical unemployment indemnity recovered by the Company as part of the supportive measures for the employee-related costs granted by the Romanian Government to the companies affected by a temporary reduction and/or interruption of activity due to COVID-19 pandemic.

SPHERA FRANCHISE GROUP SA**INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (UNAUDITED)**

Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016

30 June 2020

*All amounts in RON thousand, unless specified otherwise***INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020
(UNAUDITED)**

	30 June 2020	31 December 2019
Assets		
Non-current assets	612,283	593,368
Property, plant and equipment	2,476	2,521
Right-of-use assets	5,365	5,963
Intangible assets	95	138
Investments in subsidiaries	596,704	576,704
Trade and other receivables	6,836	7,043
Deferred tax assets	807	999
Current assets	64,210	91,197
Inventories	12	-
Trade and other receivables	61,526	71,566
Prepayments	235	398
Cash and short-term deposits	2,437	19,233
Total assets	676,493	684,565
Equity and liabilities		
Equity		
Issued capital	581,990	581,990
Legal reserve	3,607	3,607
Retained earnings	27,768	44,061
Total equity	613,365	629,658
Non-current liabilities	39,356	38,423
Interest-bearing loans and borrowings	34,651	33,331
Lease liabilities	4,705	5,092
Current liabilities	23,771	16,484
Interest-bearing loans and borrowings	7,943	3,778
Lease liabilities	993	1,140
Trade and other payables	14,835	11,566
Total liabilities	63,127	54,907
Total equity and liabilities	676,493	684,565

SPHERA FRANCHISE GROUP SA

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (UNAUDITED)

Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016

30 June 2020

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED)

	<u>Issued capital</u>	<u>Share premium</u>	<u>Legal reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
As at 1 January 2020	581,990	-	3,607	44,061	629,658
Profit/(loss) for the period	-	-	-	(2,613)	(2,613)
Total comprehensive income	-	-	-	(2,613)	(2,613)
Dividends				(13,679)	(13,679)
As at 30 June 2020	581,990	-	3,607	27,768	613,365
	<u>Issued capital</u>	<u>Share premium</u>	<u>Legal reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
As at 1 January 2019	581,990	(580)	1,990	27,933	611,333
Profit for the period	-	-	-	49,582	49,582
Total comprehensive income	-	-	-	49,582	49,582
Transfer to share premium	-	580		(580)	-
Dividends				(13,673)	(13,673)
As at 30 June 2019	581,990	-	1,990	63,262	647,242

SPHERA FRANCHISE GROUP SA
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Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016
30 June 2020
All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED)

	Six-month period ended	
	30 June 2020	30 June 2019
Operating activities		
Profit/(loss) before tax	(2,421)	49,378
Adjustments to reconcile profit/(loss) before tax to net cash flows:		
Dividend revenue	-	(51,239)
Depreciation and amortization of property, plant and equipment, right-of-use and intangible assets	915	853
Net foreign exchange differences	145	141
Finance income	(1,000)	(886)
Finance costs (interest)	817	838
Working capital adjustments:		
Decrease in trade and other receivables, small inventories and prepayments	(4,937)	(2,350)
Increase/(Decrease) in trade and other payables	3,277	(525)
Dividends received	-	-
Interest paid	(388)	(335)
Net cash flows from operating activities	(3,592)	(4,125)
Investing activities		
Purchase of property, plant and equipment and intangible assets	(228)	(48)
Loans to related parties	(3,452)	(5,543)
Net cash flows used in investing activities	(3,681)	(5,591)
Financing activities		
Proceeds from borrowings	6,000	-
Repayment of borrowings	(1,267)	(938)
Payment of lease liabilities	(568)	(283)
Dividends paid	(13,687)	-
Net cash flows used in financing activities	(9,522)	(1,222)
Net increase in cash and cash equivalents	(16,796)	(10,938)
Cash and cash equivalents at 01 January	19,233	19,939
Cash and cash equivalents at 30 June	2,437	9,001

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (UNAUDITED)
Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016
30 June 2020
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 2020 (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".

Sphera Franchise Group SA together with its subsidiaries are referred hereinafter as "SFG" or "the Group". The Group operates quick service and takeaway restaurant concepts (a chain of 99 restaurants) under the Kentucky Fried Chicken ("KFC"), spread across Romania as well as in the Republic of Moldova and in Italy. The Group also operates a chain of pizza restaurants (23 restaurants as at 30 June 2020) as well as pizza delivery points (21 locations as at 30 June 2020) under the Pizza Hut ("PH") and Pizza Hut Delivery ("PHD") brands, spread across Romania, one chain of restaurants under the "Taco Bell" brand (10 restaurants as at 30 June 2020) and one restaurant under Paul brand, in Romania.

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 2020 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 2019.

The interim condensed separate financial statements for six-month period ended 30 June 2020 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 2019.

The amendments effective since 1 January 2020 do not have a material effect on the Company's interim condensed separate financial statements.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (UNAUDITED)
Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016
30 June 2020
All amounts in RON thousand, unless specified otherwise

Foreign currencies

The exchange rate RON – EUR as at 30 June 2020 and 31 December 2019 were:

	30 June 2020	31 December 2019
RON – EUR	4.8423	4.7793
RON – USD	4.3233	4.2608

3 OTHER EXPENSES

	Six-month period ended	
	30 June 2020	30 June 2019
Third-party expenses	1,183	1,703
Advertising and sponsorship**	934	92
Depreciation and amortization	915	853
Travel expenses	187	440
Office supplies	126	197
Insurance	135	141
Other taxes	91	52
Rent***	(1)	40
Banking charges	24	20
Maintenance & Repairs	53	39
Utilities	26	29
Miscellaneous expenses	57	63
Total other expenses	3,730	3,668

**Including the value of sponsorship of 484 granted to Romania Red Cross organisation for acquiring medical equipment

***Including the impact of rent discounts of (80) related to the COVID-19 pandemic, recognised in accordance with requirements of the amendment to IFRS 16 Leases, *Covid-19-Related Rent Concessions*

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INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (UNAUDITED)
Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016
30 June 2020
All amounts in RON thousand, unless specified otherwise

4 INVESTMENTS IN SUBSIDIARIES

Details of the carrying value of investments in subsidiaries as of 30 June 2020 are as follows:

Company name	Country of incorporation	Field of activity	Share interest per-cent	Carrying value
US Food Network SA	Romania	Restaurants	99.9997%	519,704
American Restaurant System SA	Romania	Restaurants	99.9997%	45,524
California Fresh Flavors SRL	Romania	Restaurants	99.9900%	100
US Food Network SRL	Moldova	Restaurants	80.0000%	1,735
US Food Network SRL	Italy	Restaurants	100.0000%	29,641
Total				596,704

In 2020, the Company increased the value of the investment in the subsidiary American Restaurant System SA with the amount of 20,000 by converting a part of the existing shareholder's loan to share capital.

Details of the carrying value of investments in subsidiaries as of 31 December 2019 are as follows:

Company name	Country of incorporation	Field of activity	Share interest per-cent	Carrying value
US Food Network SA	Romania	Restaurants	99.9997%	519,704
American Restaurant System SA	Romania	Restaurants	99.9997%	25,524
California Fresh Flavors SRL	Romania	Restaurants	99.9900%	100
US Food Network SRL	Moldova	Restaurants	80.0000%	1,735
US Food Network SRL	Italy	Restaurants	100.0000%	29,641
Total				576,704

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5 INTEREST-BEARING LOANS AND BORROWINGS

	Interest rate, %	Maturity	30 June 2020	31 December 2019
Current interest-bearing loans and borrowings				
Bank loan	EURIBOR 3M + relevant spread	6 years from each withdrawal	1,914	3,778
Short-term working capital facility	ROBOR 3M + relevant spread	1 year from contract date	6,029	-
Total current interest-bearing loans and borrowings			7,943	3,778
Non-current interest-bearing loans and borrowings				
Bank loan	EURIBOR 3M + relevant spread	6 years from each withdrawal	13,309	12,506
Loan from related parties (including accrued interest) (Note 7)	4% fixed interest rate	Within 5 years from contract signing date	21,342	20,825
Total non-current interest-bearing loans and Borrowings			34,651	33,331
Total interest-bearing loans and borrowings			42,594	37,109

The Company has received a multicurrency credit facility from its subsidiary US FOOD NETWORK SA, the maximum limit being 20 million EUR. The loan agreement contains no covenants or other special terms.

The Company is part of a credit facility from Alpha Bank Romania signed jointly by the Company and its Romanian subsidiaries. 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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As a result of a request made to Alpha Bank Romania by the Borrowers (the Company together with its subsidiaries) on the base of Emergency Ordinance 37/2020, the parties agreed by an addendum to loan contract to suspend temporarily all loan principal payments due by the Borrowers between and including 11 May 2020 and 31 December 2020. All principal amounts initially due during suspension period will be paid beginning 1 January 2021 and loan maturities will be postponed in accordance. The split between current and non-current loans and borrowings take into account new loan repayment schedule agreed by the parties by addendum to loan contract. Interest payments are not suspended.

Starting with 29 May 2020, Sphera entered in a short-term borrowing arrangement with Vista Bank Romania. Credit facility is revolving and may be used by the Borrower during 12 months for financing of working capital needs and of generic company costs, as well as intragroup loans.

6 ISSUED CAPITAL

	30 June 2020	31 December 2019
Authorised shares		
Ordinary shares of 15 RON each	38,799,340	38,799,340
Share capital (RON thousand)	581,990	581,990

The shareholders of Sphera Franchise Group SA as of 30 June 2020 and 31 December 2019, respectively are: Tatika Investments Ltd. (27.3300%), Computerland Romania SRL (21.4347%), Wellkept Group SA (16.3400%), Lunic Franchising and Consulting LTD (10.9900%) and free float (23.9053%).

At the Ordinary General Shareholders Meeting held on 02 March 2020, the shareholders of Sphera Franchise Group SA approved the distribution of the net profit remained undistributed related to 2018 financial year, respectively of the amount of 13,679. The payment of the dividends has started on 31 March 2020.

7 RELATED PARTY DISCLOSURES

During the six-month period ended 30 June 2020 and 30 June 2019 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, 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 US Food Network SRL	Subsidiary Subsidiary Entity with several common members of key management personnel	Republic of Moldova Italy	Dividends Sale of services
Cinnamon Bake&Roll SRL	Entity with several common members of key management personnel	Romania	Acquisition of goods

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Related party	Nature of the relationship	Country of incorporation	Nature of transactions
Midi Development SRL	Entity with several common members of key management personnel	Romania	Services
Moulin D'Or SRL	Entity affiliated to shareholders of the parent	Romania	Sale of services, acquisition of goods Rent training center
Wellkept Group SA	Shareholder	Romania	Dividends
Lunic Franchising and Consulting Ltd.	Shareholder (from 22 November 2019)	Cyprus	Dividends
Computerland Romania SRL	Shareholder	Romania	Dividends
Anasa Properties SA	Shareholder (until 22 November 2019)	Romania	Dividends
Grand Plaza Hotel SA	Entity affiliated to a shareholder of the parent	Romania	Acquisition of goods and services
Baneasa Developments SRL	Entity affiliated to a shareholder of the parent	Romania	Acquisition of goods and 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 2020			30 June 2020	
	Dividends revenues	Sales	Purchases	Amounts owed by related parties	Amounts owed to related parties
US Food Network SA	-	8,765	3	9,860	3
US Food Network SRL (Republic of Moldova)	-	-	-	-	-
American Restaurant System SA	-	2,100	5	2,901	5,206
California Fresh Flavors SRL	-	588	-	526	-
US Food Network SRL (Italy)	-	680	-	682	-
Moulin D'Or SRL	-	160	3	190	-
Midi Development SRL	-	6	-	-	-
Wellkept Group SA	-	-	194	-	129
Grand Plaza Hotel SA	-	-	4	1	-
Baneasa Developments SRL			2	-	-
Arggo Software Development and Consulting SRL	-	-	92	-	53
Loans and interest from related parties	-	-	399	-	21,342
Loans and interest to related parties (please see below)	-	-	-	50,226	-
Total	-	12,299	701	64,387	26,733

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Related party	Six-month period ended 30 June 2019			31 December 2019	
	Dividends revenues	Sales	Purchases	Amounts owed by re- lated par- ties	Amounts owed to re- lated par- ties
US Food Network SA	50,419	9,344	5	4,494	-
US Food Network SRL (Md)	820	-	-	-	-
American Restaurant System SA	-	2,364	5	2,065	4,174
California Fresh Flavors SRL	-	839	-	1,690	120
US Food Network SRL (Italy)	-	238	-	343	-
Moulin D'Or SRL	-	615	22	157	-
Midi Development SRL	-	2	3	1	53
Wellkept Group SA	-	-	231	-	-
Grand Plaza Hotel SA	-	-	9	-	-
Arggo Software Development and Consulting SRL	-	-	27	-	-
Loans and interest from re- lated parties	-	-	-	-	20,826
Loans and interest to related parties (please see below)	-	-	-	65,429	-
Total	51,239	13,402	302	74,179	25,173

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

Related party	Six-month period ended 30 June 2020			30 June 2020
	Interest expense	Interest payable	Loan payable	
US Food Network SA	399	2,079	19,263	
Total	399	2,079	19,263	
	Interest income	Interest receivable	Loan receivable	
California Fresh Flavors SRL	195	554	8,450	
US Food Network SRL (Italy)	680	1,789	22,162	
American Restaurant System SA (Note 4)	371	1,689	15,582	
Total	1,245	4,032	46,194	

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	Six-month period ended 30 June 2019		31 December 2019
	Interest expense	Interest payable	Loan payable
Related party			
US Food Network SA	391	1,657	19,169
Total	391	1,657	19,169
	Interest income	Interest receivable	Loan receivable
California Fresh Flavors SRL	70	354	11,072
US Food Network SRL (Italy)	465	1,335	20,918
American Restaurant System SA	465	1,299	30,451
Total	1,000	2,988	62,441

The intercompany loans granted by the Company to California Fresh Flavors is payable within a period of one to five years from the contract date and the loans granted to US Food Network Srl (Italy) and American Restaurant System SA are payable within one-year period, with renewal option.

In 2020, Sphera Franchise Group SA paid dividends to its shareholders of a total gross amount of 13,679, (representing 0.3526 RON/ordinary share), as approved by the Annual General Shareholders Meeting held on 2 March 2020.

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. There have been no guarantees provided or received for any related party receivables or payables.

Compensation of key management personnel of the Company:

	Six-month period ended	
	30 June 2020	30 June 2019
Short-term employee benefits	4,320	3,185
Total compensation paid to key management personnel	4,320	3,185

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

8 EVENTS AFTER THE REPORTING PERIOD

In August 2020, the Group (USFN Romania - Borrower and Sphera Franchise Group SA -Guarantor) entered in a short-term credit facility agreement with Intesa Sanpaolo Romania Bank. The uncommitted credit facility amounting to RON 9.6 million is revolving and may be used by the Borrower to finance the working capital needs.

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Management changes

On October 8th, 2020, the Board of Directors of Sphera Franchise Group appointed Mr. Calin Ionescu, as the Chief Executive Officer of the Company. The mandate of Mr. Calin Ionescu is effective as of October 8th, 2020, until May 1st, 2023.

On October 8th, 2020, the Board of Directors took note of the resignation of Mr. Anastasios Tzoulias from the position of the member of the Board of Directors, the Vice-Chairman of the Board as well as the member of the Audit Committee of the Company. The resignation became effective as of October 9th, 2020.

On October 14th, 2020, the Board of Directors appointed Mr. Lucian Hoanca, as the Chairman of the Board and Mr. Silviu Carmaciu, as the Vice-Chairman of the Board. The term of Mr. Hoanca's and Mr. Carmaciu's mandates is until 2023, in line with the appointment of the whole Board of Directors.

General shareholders' meeting

On November 25th, 2020, the Company called the Ordinary General Meeting of Shareholders (OGSM) and the Extraordinary General Meeting of Shareholders (EGSM). Among the subjects voted by the shareholders were: the reduction of the number of the Board Members of the Company, from 7 to 5 members and the amendment of the Company's Articles of Association.

Declaration of the management

We confirm to the best of our knowledge that the unaudited interim condensed separate financial statements for the six-month period ended 30 June 2020 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 information provided therein provides a true and fair view of important events that have occurred during the first six months of the 2020 financial year and their impact on the interim condensed separate financial statements.

Bucharest, 15 December 2020

Chief Executive Officer
Calin Ionescu

Chief Financial Officer
Valentin Budes