

To:

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

CURRENT REPORT 38/2021

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	15.11.2021
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	581,990,100 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: Q3 2021 Report Availability

Q3 2021 continued the positive trend of quarter-on-quarter increases, with Sphera Franchise Group closing the period with record-high results, registering RON 284.2 million in consolidated sales, a 44% increase compared to Q3 2020. Sales generated in Romania contributed with RON 247.9 million, Italy with RON 33.1 million while Republic of Moldova reached historic heights with turnover of RON 3.2 million.

In terms of split per brand, in Q3 2021, KFC brought revenues in the total amount of RON 243.4 million, Pizza Hut – RON 26.7 million and Taco Bell RON 14 million. The increase in the revenues on all the three markets and across all the Group's brands was driven by several positive factors including the almost complete reopening of the local economies across the Europe, the return of the indoor dining, good weather as well as overall positive sentiment resulting from the signs indicating potential end of the pandemic and return to normality. Nonetheless, as of the end of September, a new wave of COVID-19 infections in Romania paired with the low levels of vaccinations hindered this enthusiasm, indicating potential negative impact on the local HoReCa industry.

Restaurant expenses grew marginally faster than the sales in Q3 2021, reaching RON 249.2 million, a 47% increase compared to Q3 2020. Restaurant operating profit in Q3 2021 amounted to RON 35 million, a 24% increase compared to Q3 2020. As the G&A expenses increased 21% reaching RON 13.1 million, operating profit in Q3 2021 amounted to RON 21.9 million, a 26% increase compared to Q3 2020. Finance costs doubled due to FX negative impact, reaching RON 2 million, while financial income registered a decrease of 12%, reaching RON 0.8 million lei. Consequently, the Group ended Q3 2021 with an EBITDA of RON 32.1 million, +21% (normalized EBITDA of RON 29.8 million, +11% y-o-y), gross profit of RON 20 million, +22%, and a bottom line of RON 22.9, +30%.

Within Q3 2021 results significantly improving the YTD performance, Sphera closed the first nine months of 2021 with RON 728.7 million in consolidated sales on all three markets of activity, a 45% increase compared to 9M 2020. Sales generated in Romania contributed to 88% of this result,

amounting to RON 642.6 million, followed by Italy bringing in the contribution of 11% amid sales of RON 77.3 million while Moldova generated 1% of total sales, in the amount of RON 8.8 million.

Within the nine-month period, the Group managed to control the restaurant expenses, which increased at a slower pace than the sales, registering a 41% year-on-year increase and reaching RON 657.9 million. The largest increase has been registered on the payroll and employee benefits where the Group has felt the biggest pressure in 2021, especially in Q3 2021. The food and material costs increased 44%, reaching RON 236.2 million while rent saw a tempered increase of 24%, reaching RON 53.7 million as the Group continued renegotiations in Italy (between Q1 and Q3), Republic of Moldova (Q1 and Q2) as well as for Pizza Hut locations in Romania (between Q1 and Q3). Royalties increased 48%, to RON 43.7 million while advertising costs grew 51%, to RON 35.3 million. Other operating expenses continued to grow, reaching RON 99.3 million, driven primarily by a continued, q-o-q increase in the aggregator fees. In Q3 2021, the Group has decided to offset part of these costs by increasing the prices of the products sold for delivery, thus mitigating a major part of the effect that the increasing sales on delivery had on the bottom line. The Group ended 9M 2021 with restaurant operating profit of RON 70.8 million, double compared to 9M 2020.

The G&A expenses increased by 9% in 2021, reaching RON 38.5 million however registering an almost 2pp decrease as a share of sales generated. The operating result increased significantly, from operating loss of RON 0.4 million to operating profit of RON 32.3 million in 9M 2021. As finance costs increased 40% in 9M 2021, to RON 5.6 million and finance income reached RON 0.1 million (-31%), the gross result went from loss of RON 4.2 million to a gross profit of RON 26.9 million. The net result for the first nine months of 2021 ended up with a bottom line of RON 28.1 million, a significant increase compared to the net loss of RON 4.7 million registered for the first nine months of 2020.

In terms of individual performance, in the first nine months of 2021 all the brands on all three markets of activity improved their performance compared to the same period of 2020 – CFF (Taco Bell) sales grew 75%, USFN Moldova (KFC Moldova) by 54%, USFN Romania (KFC Romania) by 48%, USFN Italy (KFC Italy) by 36% and ARS (Pizza Hut) by 25%. All the brands except for Pizza Hut registered the highest all store sales ever recorded in the third quarter of the year (including pre-pandemic levels). In Q3 2021, the like-for-like sales across all Sphera brands continued the double-digit growth, registering increases of 71% for ARS, 36% for USFN Romania, 39% for CFF, 35% for USFN Moldova, and 18% for USFN Italy. Overall, the same stores performance across Sphera brands improved by 37% in Q3 2021, while all store performance for all the brands grew by 44%. Compared to same period of last year, when Sphera operated 157 restaurants, at the end of Q3 2021, the number of restaurants grew with 7 net new stores, reaching 164 locations on all three markets of activity.

When analyzing the activity per market, the dynamic of the growth registered in Q3 2021 on the Romanian market is similar with YTD 2021 evolution, an improved performance was also registered in Italy market versus last year (higher immunization rate, lower restrictions).

Data presented above is excluding the impact of IFRS 16 adoption.

Investor Call

The conference call for presenting the financial results as of September 30th, 2021, will take place on November 15th at 13:00 local time / 12:00PM CET / 11:00AM UK. Attached to this report is the presentation for the Conference Call.

Report Availability

The Group's interim condensed consolidated financial statements for the nine-month period ended September 30th, 2021 (unaudited), accompanied by the Director's Report, 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