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FINANCIAL REPORT

S P H E R A F R A N C H I S E G R O U P S A



S P H E R A

KFC



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The interim condensed consolidated financial statements presented on the following pages are prepared in accordance with International Financial Reporting Standards, as adopted by European Union ("IFRS").

The interim condensed consolidated financial statements as of September 30th, 2022, **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 below are provided financial results both including, as well as excluding the impact of IFRS 16.

ISSUER INFORMATION

INFORMATION ABOUT THIS FINANCIAL REPORT

Type of report	Quarterly Report for Q3 2022
For financial period	9M: 01.01.2022 – 30.09.2022 Q3: 01.07.2022 – 30.09.2022
Date of publishing	14.11.2022
According to	Annex 13 of ASF Regulation 5/2018

ISSUER INFORMATION

Issuer's name	Sphera Franchise Group S.A.
Fiscal code	RO 37586457
Trade registry number	J40/7126/2017
Registered office	Calea Dorobanților nr. 239, 2nd floor, Bucharest sector 1

INFORMATION ABOUT FINANCIAL INSTRUMENTS

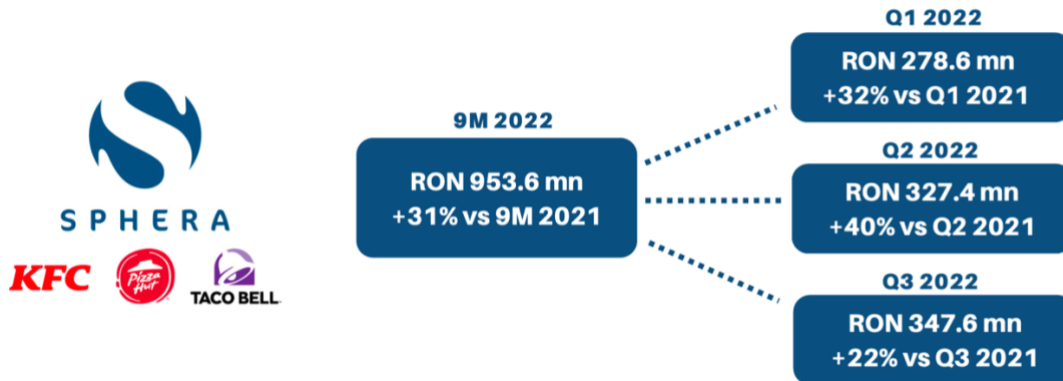
Subscribed and paid-up share capital	RON 581,990,100
Market on which the securities are traded	Bucharest Stock Exchange, Main Segment, Premium Category
Total number of shares	38,799,340
Symbol	SFG

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FINANCIAL RESULTS HIGHLIGHTS

Sales per quarter



Sales per geography



Sales per brand



#1

the best quarter in the history of the Group for all the brands, all markets of activity

85%

highest share of own sales channels in Q3 2022, since the onset of the pandemic

+23%

increase in the same store sales in 9M 2022 vs 9M 2021

24.3 mn

net profit in Q3 2022 vs. 22.9 mn net profit in Q3 2021

37.0 mn

EBITDA normalized in Q3 2022, a 24% increase vs. Q3 2021

15.6 mn

Net profit for 9M 2022, bouncing back to healthy profitability

RESULTS ANALYSIS

Q3 2022 continued the positive trend of quarter-on-quarter increases, with Sphera Franchise Group closing the period with record-high results, registering RON 347.6 million in consolidated all store sales, a 22% increase compared to Q3 2021. Same stores sales increased by 15.6% during Q3 2022 derived from the calibration of higher transactions and pricing. Sales generated in Q3 2022 in Romania contributed with RON 297.3 million, Italy with RON 45.5 million while Republic of Moldova reached historic heights with turnover of RON 4.8 million. In terms of split per brand, in Q3 2022, KFC brought revenues in the total amount of RON 299 million, Pizza Hut – RON 30.7 million and Taco Bell RON 17.9 million.

In terms of the bottom line, Sphera registered a positive evolution in Q3 2022 by increasing 6% compared to Q3 2021 due to the increased customer presence in stores (this leading to the increase in transactions overall), contribution of the stores opened in the preceding 12 months, price adjustments paired with the highest rate of delivery sales through own channels, since the onset of the pandemic. In Q3 2022, 85% of the sales were generated either instore or through the Group's own delivery channels.

Restaurant expenses grew marginally faster than the sales in Q3 2022, reaching RON 308.3 million, a 24% increase compared to Q3 2021. The increase was primarily driven by the costs of food and material, which increased 27%, up to RON 117.5 million, driven by the general inflationary environment and further accelerated by the growing energy costs. Nonetheless, from a cost of food and material perspective the increase has tempered compared to the first half of the year.

The second largest contributor to the restaurant expenses were the payroll costs, which grew 18% YoY, reaching RON 70.7 million due to average wage increases and higher performance incentives.

The rent increased 24%, reaching RON 24.4 million reflecting the rent contract variable structure in line with the sales increase. The royalties increased 19% YoY, following higher sales, reaching RON 20.5 million, while advertising costs increased 7% YoY, reaching RON 16.3 million, a relatively small increase due to different timing of the marketing campaigns. Depreciation and amortization increased 10% YoY, primarily due to the 10 net new locations opened in the preceding 12 months. Other operating expenses grew 40%, reaching RON 48.8 million, driven by the doubling of the utility costs (+104%), which amounted to RON 16.4 million.

Restaurant operating profit in Q3 2022 amounted to RON 39.3 million, a 12% increase compared to Q3 2021. Despite larger scale of operations, the G&A expenses increased by a mere 2.5%, reaching RON 13.4 million, thus leading to an 18% increase in the operating profit, which amounted to RON 25.9 million in Q3 2022. Finance costs increased 85% mainly due to growing costs of financing, reaching RON 3.7 million. Consequently, the Group ended Q3 2022 with an EBITDA of RON 37 million (+24% increase considering normalized EBITDA for Q3 2021 and +16% considering EBITDA), gross profit of RON 22.1 million, +11%, and a bottom line of RON 24.3 million, +6%.

Summary of interim Consolidated Financial Statements for Q3 standalone (excluding IFRS16):

Data in RON'000	Q3-22	Q3-21	Y/Y %	% of Sales		Δ%
			Q3-22/ Q3-21	Q3-22	Q3-21	
Restaurant sales	347,570	284,175	22.3%			
Restaurant expenses	308,314	249,201	23.7%	88.7%	87.7%	1.0%
Food and material	117,457	92,706	26.7%	33.8%	32.6%	1.2%
Payroll and employee benefits	70,695	60,093	17.6%	20.3%	21.1%	-0.8%
Rent	24,350	19,718	23.5%	7.0%	6.9%	0.1%
Royalties	20,544	17,223	19.3%	5.9%	6.1%	-0.2%
Advertising	16,266	15,261	7%	4.7%	5.4%	-0.7%
Other operating expenses	48,768	34,857	39.9%	14.0%	12.3%	1.8%
Depreciation and amortization	10,235	9,342	9.6%	2.9%	3.3%	-0.3%
Restaurant operating profit	39,256	34,974	12.2%	11.3%	12.3%	-1.0%
General & Admin expenses	13,384	13,057	2.5%	3.9%	4.6%	-0.7%
Operating Profit/(Loss)	25,872	21,918	18.0%	7.4%	7.7%	-0.3%
Finance costs	3,735	2,017	85.2%	1.1%	0.7%	0.4%
Finance income	12	83	-85.7%	0.0%	0.0%	0.0%
Profit/(Loss) before tax	22,149	19,984	10.8%	6.4%	7.0%	-0.7%
Income tax expense/(credit)	(2,806)	(3,482)	-19.4%	-0.8%	-1.2%	0.4%
Specific Tax	639	590	8.2%	0.2%	0.2%	0.0%
Profit/(Loss) for the period	24,316	22,876	6.3%	7.0%	8.1%	-1.1%
EBITDA	37,038	32,067	15.5%	10.7%	11.3%	-0.6%
Normalized EBITDA*	37,038	29,807	24.3%	10.7%	10.5%	0.2%

(*) EBITDA was normalized for Q3 2021 to exclude the reversal of accrued penalties due to Pizza Hut Europe (Master Franchisor) for the restaurants committed to be opened in 2019 and postponed for the future periods. In August 2021, the Group signed a revised Development Agreement following the renegotiation with master franchisor YUM! Of the development plan and agreed that the accrued penalties for not meeting the minimum target for new Pizza Hut restaurants from 2019 to be used in entirety as a reinvestment credit, which was deployed into development of the Pizza Hut and Pizza Hut Delivery network in Romania. The normalized EBITDA in Q3 2022 is equal to EBITDA.

The excellent topline performance and positive bottom line in Q3 2022 helped recover the losses that the Group registered in Q1 2022. Consequently, for the first nine months of 2022, the Group recorded RON 953.6 million in consolidated revenue, a 31% increase compared to 9M 2021, normalized EBITDA of RON 58.3 million, a slight decrease of 4% decrease compared to normalized EBITDA for 9M 2021, and a net profit of RON 15.6 million, a 44% decrease. Sales generated in Romania contributed to 86% of this result, amounting to RON 823.5 million, followed by Italy bringing in the contribution of 12% amid sales of RON 117.8 million while the Republic of Moldova generated 1% of total sales, in the amount of RON 12.3 million.

The restaurant expenses in the first nine months of 2022 amounted to RON 889.9 million, a 35% YoY increase, the gap in the pace of growth of the sales versus expenses narrowing compared to the situation as of H1 2022. The most significant increase was recorded for the food and material costs, which amounted to RON 334.7 million in 9M 2022, a 42% increase compared to 9M 2021, an improvement compared to the previous increase of 52% registered in H1 2022 vs H1 2021. The payroll and employee benefits increased 31% YoY, reaching RON 212.5 million as a combined effect of higher average number of FTEs and increased remuneration scheme.

Rent for 9M 2022 amounted to RON 69 million, a 29% reflecting the rent contract variable structure in line with the sales increase, while the royalties amounted to RON 57 million, a 30% increase, aligned with the sales growth. The advertising costs reached RON 48.6 million, a 37% increase due to the different timing of the marketing campaigns and, overall, more intense advertising activity, especially in the first half of the year. Depreciation and amortization increased 11% YoY, up to RON 30.5 million, primarily due to the new restaurant openings in the analyzed period.

Other operating expenses increased 39%, reaching RON 137.7 million due to an almost doubling of the utility costs, which reached RON 37.6 million (+97%), and a 14% increase in the third-party expenses, which grew to RON 66.4 million. This category also includes aggregator commissions, which increased 9% in 9M 2022 versus 9M 2021, with the weight of aggregators' commissions in net sales progressively decreasing by 1pp in 9M 2022 vs. 9M 2021, from 5% to 4%.

The solid performance in Q3 2022 contributed to the YTD RON 64.9 million restaurant operating profit, an 8% decline compared to 9M 2021, a significant improvement compared to previous 2022 reporting periods. The weight of G&A in sales decreased 1pp in 9M 2022 vs. 9M 2021, reaching RON 39.8 million, a moderate

3.5% increase. This led to an operating profit for the 9M 2022 of RON 25.1 million, a 22% decline compared to 9M 2021.

The finance costs increased 88%, reaching RON 10.5 million due to negative FX evolution and the growing costs of financing since the beginning of 2022. With the negative financial result, the profit before tax for 9M 2022 was RON 15 million, versus RON 26.9 million registered for 9M 2021, resulting in a bottom line of RON 15.6 million generated by the Group in the first nine months of 2022, versus RON 28.1 million in 9M 2021.

Summary of interim Consolidated Financial Statements for 9M (excluding IFRS16):

Data in RON'000	9M-22	9M-21	Y/Y % 9M-22/9M-21	% of Sales		Δ%
				9M-22	9M-21	
Restaurant sales	953,594	728,719	30.9%			
Other restaurant income	1,172	-	-	-	-	-
Restaurant expenses	889,856	657,909	35.3%	93.3%	90.3%	3.0%
Food and material	334,743	236,241	41.7%	35.1%	32.4%	2.7%
Payroll and employee benefits	212,475	162,290	30.9%	22.3%	22.3%	0.0%
Rent	68,954	53,668	28.5%	7.2%	7.4%	-0.1%
Royalties	56,950	43,712	30.3%	6.0%	6.0%	0.0%
Advertising	48,580	35,348	37.4%	5.1%	4.9%	0.2%
Other operating expenses	137,677	99,295	38.7%	14.4%	13.6%	0.8%
Depreciation and amortization	30,476	27,355	11.4%	3.2%	3.8%	-0.6%
Restaurant operating profit	64,910	70,810	-8.3%	6.8%	9.7%	-2.9%
General & Admin expenses	39,824	38,477	3.5%	4.2%	5.3%	-1.1%
Operating Profit/(Loss)	25,086	32,333	-22.4%	2.6%	4.4%	-1.8%
Finance costs	10,459	5,551	88.4%	1.1%	0.8%	0.3%
Finance income	368	125	193.4%	0.0%	0.0%	0.0%
Profit/(Loss) before tax	14,995	26,908	-44.3%	1.6%	3.7%	-2.1%
Income tax expense/(credit)	(2,530)	(2,923)	-13.5%	-0.3%	-0.4%	0.1%
Specific Tax	1,914	1,769	8.2%	0.2%	0.2%	0.0%
Profit/(Loss) for the period	15,610	28,062	-44.4%	1.6%	3.9%	-2.2%
EBITDA	58,272	62,074	-6.1%	6.1%	8.5%	-2.4%
Normalized EBITDA*	58,272	60,547	-3.8%	6.1%	8.3%	-2.2%

(*) EBITDA was normalized for 9M 2021 to exclude the reversal of accrued penalties due to Pizza Hut Europe (Master Franchisor) for the restaurants committed to be opened in 2019 and postponed for the future periods. In August 2021, the Group signed a revised Development Agreement following the renegotiation with master franchisor YUM! Of the development plan and agreed that the accrued penalties for not meeting the minimum target for new Pizza Hut restaurants from 2019 to be used in entirety as a reinvestment credit, which was deployed into development of the Pizza Hut and Pizza Hut Delivery network in Romania. The normalized EBITDA in 9M 2022 is equal to EBITDA.

Summary of interim Consolidated Financial Statements for 9M – results and evolution presented with and without IFRS 16 impact

Data in RON'000	9M-22	9M-22	9M-21	9M-21	Change (%)	
	1	2	1	2	9M-2022/ 9M-2021 (1)	9M-2022/ 9M-2021 (2)
Restaurant sales	953,594	953,594	728,719	728,719	30.9%	30.9%
Other restaurant income	1,172	1,172	-	-	-	-
Restaurant expenses	884,818	889,856	657,132	657,909	34.6%	35.3%
Food and material	334,743	334,743	236,241	236,241	41.7%	41.7%
Payroll and employee benefits	212,475	212,475	162,290	162,290	30.9%	30.9%
Rent	22,471	68,954	13,005	53,668	72.8%	28.5%
Royalties	56,950	56,950	43,712	43,712	30.3%	30.3%
Advertising	48,580	48,580	35,348	35,348	37.4%	37.4%
Other operating expenses	137,677	137,677	99,295	99,295	38.7%	38.7%
Depreciation and amortization	71,921	30,476	67,241	27,355	7.0%	11.4%
Restaurant operating Profit / (Loss)	69,948	64,910	71,587	70,810	-2.3%	-8.3%
General & Admin expenses	38,987	39,824	38,060	38,477	2.4%	3.5%
Operating Profit/(Loss)	30,960	25,086	33,527	32,333	-7.7%	-22.4%
Finance costs	16,830	10,459	14,417	5,551	16.7%	88.4%
Finance income	368	368	125	125	193.4%	193.4%
Profit/(Loss) before tax	14,498	14,995	19,236	26,908	-24.6%	-44.3%
Income tax expense/(credit)	(2,596)	(2,530)	(3,667)	(2,923)	-29.2%	-13.5%
Specific Tax	1,914	1,914	1,769	1,769	8.2%	8.2%
Profit/(Loss) for the period	15,180	15,610	21,133	28,062	-28.2%	-44.4%
EBITDA	107,521	58,272	105,322	62,074	2.1%	-6.1%
Normalized EBITDA*	107,521	58,272	103,795	60,547	3.6%	-3.8%

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

(*) Normalized EBITDA – excludes the reversal of penalties from franchisor Pizza Hut.

The G&A expenses increased 3.5% in 9M 2022, due to 7% increase in payroll, which reached RON 26 million, and a 27% increase in third-party services, which amounted to RON 5.2 million. Transportation costs grew 52% up to RON 0.8 million, while the depreciation and amortization increased 14%, reaching RON 2.7 million. The variance of the G&A costs resulted in a reduction of the share of G&A expenses in the consolidated sales by 1.1 pp in 9M 2022 versus 9M 2021.

	Data in RON '000				Change (%)		Percentage of sales			
	9M-22	9M-22	9M-21	9M-21			9M-22	9M-22	9M-21	9M-21
	(1)	(2)	(1)	(2)	2022/ 2021 (1)	2022/ 2021 (2)	(1)	(2)	(1)	(2)
General and administration (G&A) expenses	38,987	39,824	38,060	38,477	2.4%	3.5%	4.1%	4.2%	5.2%	5.3%
Payroll and employee benefits	25,992	25,992	24,297	24,297	7.0%	7.0%				
Third-party services	5,162	5,162	4,075	4,075	26.7%	26.7%				
Depreciation and amortization	4,640	2,710	4,554	2,386	1.9%	13.6%				
Rent	212	2,978	233	2,818	-8.8%	5.7%				
Banking charges	536	536	2,910	2,910	-81.6%	-81.6%				
Transport	840	840	553	553	51.9%	51.9%				
Other*	1,605	1,605	1,437	1,437	11.7%	11.7%				

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

*Other expenses include maintenance & repairs, smallware, insurance, advertising, phone & postage, miscellaneous expenses.

In terms of individual performance, all the companies from the group registered significant increases in 9M 2022 compared to the same period of 2021, led by USFN Italy (KFC Italy) reaching RON 117.8 million in sales (+53% vs. 9M 2021), USFN Moldova (KFC Moldova) with RON 12.3 million in sales (+39%), CFF (Taco Bell) with RON 49.4 million (+37%), ARS (Pizza Hut) with RON 88.7 million (+36%), and USFN Romania (KFC Romania) with RON 685.4 million (+27%). USFN Romania, USFN Moldova and CFF closed the nine-month period registering a restaurant operating profit, with USFN Italy significantly decreasing the restaurant operating loss, from RON 7.6 million loss for 9M 2021, to RON 3 million loss for 9M 2022. ARS registered a restaurant operating loss of RON 4 million in the first 9 months of 2022.

Breakdown of consolidated results by Group companies – 9M 2022 (excluding IFRS 16 Impact):

9M-22								
Data in RON'000	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons, Adj,	SFG Cons
Restaurant sales	685,440	88,689	12,270	117,825	49,373	24,864	(24,867)	953,594
Dividend revenue	-	-	-	-	-	50,502	(50,502)	-
Other restaurant revenue	1,172	-	-	-	-	-	-	1,172
Restaurant expenses	618,377	92,690	10,354	120,776	48,033	-	(373)	889,856
Food and material	252,209	26,606	5,440	33,671	16,818	-	-	334,743
Payroll and employee benefits	144,829	25,341	1,630	29,106	11,570	-	-	212,475
Rent	46,122	8,491	724	9,760	3,858	-	-	68,954
Royalties	40,873	5,272	738	7,072	2,994	-	-	56,950
Advertising	33,425	5,046	318	7,540	2,603	-	(351)	48,580
Other operating expenses	84,989	18,507	1,260	25,099	7,831	-	(8)	137,677
Depreciation	15,930	3,426	244	8,529	2,360	-	(14)	30,476
Restaurant operating profit/(loss)	68,235	(4,000)	1,916	(2,951)	1,341	75,366	(74,996)	64,910
G&A expenses	22,124	5,926	214	7,703	2,258	25,981	(24,383)	39,824
Operating profit/(loss)	46,111	(9,926)	1,702	(10,654)	(918)	49,385	(50,614)	25,086
Finance costs	7,721	996	41	2,214	1,438	2,049	(4,001)	10,459
Finance income	2,997	5	-	1	-	1,366	(4,001)	368
Profit/(Loss) before tax	41,387	(10,917)	1,661	(12,868)	(2,356)	48,702	(50,614)	14,995
Income tax expense/(credit)	489	43	222	(3,222)	-	(61)	-	(2,530)
Specific tax expense	1,214	540	-	-	160	-	-	1,914
Profit/(Loss) for the period	39,683	(11,499)	1,439	(9,646)	(2,516)	48,763	(50,614)	15,610
EBITDA	63,460	(6,000)	1,974	(1,993)	1,559	49,904	(50,632)	58,272
Normalized EBITDA	63,460	(6,000)	1,974	(1,993)	1,559	49,904	(50,632)	58,272

In Q3 2022, the same store sales across Sphera brands grew 16%, with the highest increase registered for USFN Moldova (+48%), USFN Italy (+34%), CFF (+18%), USFN Romania (+13%), Pizza Hut (+6%). Between September 30th, 2021, and September 30th, 2022, Sphera opened 10 net new restaurants: 5 new KFC stores in Romania, 1 KFC in Italy, 3 new Pizza Hut units and 1 new Taco Bell, contributing to the all store performance across all the brands.

		Y/Y Q1-21	Y/Y Q2-21	Y/Y Q3-21	Y/Y Q4-21	Y/Y Q1-22	Y/Y Q2-22	Y/Y Q3-22
USFN RO	All Stores	14.3%	114.9%	42.8%	20.3%	23.6%	37.3%	20.1%
	o/w Same Stores	14.1%	112.4%	39.8%	14.3%	15.1%	28.3%	13.3%
ARS	All Stores	-32.6%	108.4%	71.4%	54.6%	55.3%	45.5%	15.1%
	o/w Same Stores	-32.6%	108.4%	71.0%	47.5%	45.3%	35.9%	6.3%
CFF	All Stores	13.1%	245.4%	62.8%	43.6%	48.2%	39.6%	27.3%
	o/w Same Stores	13.1%	204.4%	46.1%	26.4%	32.0%	34.2%	18.2%
USFN IT	All Stores	2.5%	114.5%	26.0%	88.0%	70.3%	58.4%	37.5%
	o/w Same Stores	-6.0%	102.7%	20.8%	79.2%	73.0%	56.9%	33.5%
USFN MD	All Stores	19.0%	179.3%	35.3%	22.3%	22.8%	44.8%	48.3%
	o/w Same Stores	19.0%	179.3%	35.3%	22.3%	22.8%	44.8%	48.3%
TOTAL	All Stores	6.6%	119.4%	43.6%	30.3%	31.8%	40.5%	22.3%
	o/w Same Stores	5.6%	114.9%	39.9%	23.5%	23.6%	32.3%	15.6%

Q3 2022 was the best quarter for the Group on all the markets since the onset of the pandemic and overall, in the history in terms of restaurant sales, continuing the trend of consecutive QoQ increases. Notable performance was registered in the Republic of Moldova, which is nearing the RON 5 million in sales in a single quarter milestone.

Data in RON '000	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Change Q3-22/Q3-21	Change 9M-22/9M-21
Sales by region									
Romania	188,944	205,824	247,861	231,109	241,607	284,592	297,301	19.9%	28.1%
Italy	19,693	24,469	33,108	36,872	33,545	38,768	45,512	37.5%	52.5%
Rep. Moldova	2,791	2,823	3,206	3,608	3,427	4,086	4,757	48.3%	39.1%
Total sales	211,428	233,116	284,175	271,589	278,579	327,445	347,570	22.3%	30.9%

The sales for delivery in Q3 2022 had the lowest weight in total sales since the onset of the pandemic due to complete lifting of COVID-19 restriction, return of the pre-pandemic lifestyle, as well as good weather that encouraged dine-in and takeaway dining. Consequently, the sales for delivery have declined 4pp QoQ in Q3 2022, reaching RON 61.1 million; the total sales for delivery in the first nine months of 2022 were of RON 209.5 million, of which 12% were delivered using Sphera's own delivery capacity. Sphera has own delivery service in Romania for KFC and Pizza Hut, while for Taco Bell as well as for KFC in Italy and Republic of Moldova, the Group delivers exclusively through the food aggregating platforms such as Glovo, Tazz, Bolt, UBER Eats, Foodinho, Deliveroo and Just Eat.

Sales by entity, by Country		Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22
USFN RO	delivery	28%	27%	23%	30%	27%	20%	16%
	non-delivery	72%	73%	77%	70%	73%	80%	84%
ARS	delivery	57%	53%	42%	56%	49%	40%	38%
	non-delivery	43%	47%	58%	44%	51%	60%	62%
CFF	delivery	44%	42%	34%	42%	41%	32%	26%
	non-delivery	56%	58%	66%	58%	59%	68%	74%
USFN IT	delivery	25%	16%	11%	12%	14%	12%	9%
	non-delivery	75%	84%	89%	88%	86%	88%	91%
USFN MD	delivery	33%	35%	28%	37%	35%	31%	31%
	non-delivery	67%	65%	72%	63%	65%	69%	69%
All	delivery	31%	29%	24%	30%	28%	22%	18%
	non-delivery	69%	71%	76%	70%	72%	78%	82%

MAIN FINANCIAL RATIOS

The main financial ratios of Sphera Franchise Group (consolidated result) as of September 30th, 2022, are presented below, together with the result from the same period of 2021 (ratios are including IFRS 16 impact).

<i>Financial data in RON '000</i>	9M period ended 30 September 2022		9M period ended 30 September 2021	
Current ratio				
Current assets	145,713	= 0.60	143,689	= 0.60
Current liabilities	243,072		239,936	
Debt to Equity ratio				
Interest-bearing debt (long term)	328,753	= 294%	294,850	= 219%
Equity	111,995		134,877	
Interest-bearing debt (long term)	328,753	= 75%	294,850	= 69%
Capital employed	440,749		429,727	
Trade receivables turnover (days)				
Average receivables	34,975	= 9.9	18,387	= 6.8
Sales	953,594		728,719	
Fixed asset turnover				
Sales	953,594	= 2.49	728,719	= 1.93
Net fixed assets	511,257		504,669	

Notes: Annualized values, based on the ASF methodology.



Q3 2022 Results Call

14.11.2022 | 14:00 hrs

On November 14th, at 14:00 Bucharest time (12:00 CET | 13:00 UK), Sphera Franchise Group will hold a conference call with the management to discuss the Q3 2022 results. The call will be attended by Calin Ionescu (CEO), Valentin Budes (CFO), Monica Eftimie (CMO), and Zuzanna Kurek (IR).

The call will be held in **English**. To receive the log-in details, please email [**investor.relations@spheragroup.com**](mailto:investor.relations@spheragroup.com).

SIGNIFICANT EVENTS IN Q3 2022 & AFTER THE CLOSING OF THE REPORTING PERIOD

COVID-19 UPDATES

As of March 9th, 2022, Romania has lifted all the COVID-19 restrictions. The restrictions in Italy were lifted as of May 1st, 2022, and in the Republic of Moldova as of April 19th, 2022. With the lifting of the COVID-19 restrictions, in Q1 2022 the rent renegotiations were not substantial and as of Q2 and Q3 2022, there were none. In terms of technical unemployment indemnities, there were limited technical unemployment grants provided in Q1 2022, which amounted to RON 0.1 million. As of Q2 and Q3 2022, there were no technical indemnities granted.

DEVELOPMENT OF THE NETWORK

In 9M 2022, Sphera opened 5 new restaurants (4 in Q1 2022, 1 in Q2 2022) of which 2 restaurants were KFC - a food court restaurant in Colosseum Mall in Bucharest and a drive thru in Calarasi, within the Catex commercial center. The Group also opened a new Taco Bell restaurant in City Park Mall Constanta, a Pizza Hut Fast Casual Delivery restaurant in Militari Shopping Centre in Bucharest and a Pizza Hut Express restaurant in Shopping City Targu Jiu. One restaurant was closed in Q2 2022 – a Pizza Hut restaurant in AFI Cotroceni.

As of 30.09.2022, Sphera Franchise Group operated 174 restaurants: 94 KFC restaurants in Romania, 2 in Moldova and 20 in Italy, as well as 42 Pizza Hut restaurants, 14 Taco Bell restaurants, one PHD subfranchise and one Paul restaurant. In Q4 2022, Sphera opened a new KFC restaurant in Funshop Park Timisoara and estimated to open additional 4 new restaurants before the yearend – 3 KFC restaurants and a Taco Bell.

STAFF

As of September 2022, the Group had 4,643 employees, out of which 4,312 in Romania, 254 in Italy and 77 in the Republic of Moldova. The HoReCa activity restrictions during COVID-19 pandemic convinced many employees to requalify to other sectors. Consequently, the Group continued the process of digitalizing its network through further deployment of digital kiosks to simplify the selling process as well as continued the project of hiring employees from abroad. So far, Sphera hired over 200 employees from Sri Lanka, with most of them currently working for USFN Romania.

STOCK EXCHANGE EVOLUTION

After volatile H1 2022, Q3 2022 continued to see declines as well as below-average liquidity for the Romanian capital market. The total traded value on SFG shares between July 1st, 2022, and September 30th, 2022, was RON 4.9 million, as 379,018 shares were traded, representing cca. 3% of the free float. SFG shares registered in Q3 2022 a negative evolution, decreasing 9.4% in the analyzed period, as the share closing price on 30.06.2022 was RON 13.85, and RON 12.55 on 30.09.2022. In the first nine months of 2022, investors traded a total of 2,369,959 shares (cca. 18% of free float), with a total value of RON 36.2 million.

ESG RATING FROM MORNINGSTAR SUSTAINALYTICS

Following an assessment carried out by Morningstar Sustainalytics under a partnership with the Bucharest Stock Exchange, Sphera Franchise Group obtained an ESG Risk Score of 18.7, certifying low ESG risk. The Group has thus registered a significant improvement versus the previous rating from 2021, when it was accorded ESG Risk Score of 29.5, which qualified as medium risk. A lower score signifies a smaller amount of unmanaged ESG risks.

The ESG Risk Score of 18.7 ranks Sphera No. 3 in the Restaurants subcategory, which includes 125 companies analyzed by Morningstar Sustainalytics versus ranking of 61 out of 124, obtained in 2021. The obtained rating shows high transparency in the communication of ESG information, indicating a high degree of accountability to the investors and the public.

Morningstar Sustainalytics ratings are independent and measure a company's exposure to industry-specific material ESG risks and how well a company is managing those risks. This multi-dimensional way of measuring ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. Ratings are categorized into five levels of risk: negligible (0-10), low (10-20), medium (20-30), high (30-40) and severe (40+). Details of Sphera's ESG risk score are available on BVB Research Hub, [HERE](#).

DECLARATION FROM THE MANAGEMENT

Bucharest, November 14th, 2022

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the nine months period ended 30 September 2022 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 nine months of the 2022 financial year and their impact on the interim condensed consolidated financial statements.

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (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 NINE-
MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)
All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

		Nine-month period ended	
	Note	30 September 2022	30 September 2021
Restaurant sales		953,594	728,719
Other restaurant income		1,172	-
Restaurant expenses			
Food and material expenses		334,743	236,241
Payroll and employee benefits	4	212,475	162,290
Rental expenses		22,471	13,005
Royalties expenses		56,950	43,712
Advertising expenses		48,580	35,348
Other operating expenses	5	137,678	99,295
Depreciation, amortization and impairment, net	7	71,921	67,241
Restaurant operating profit		69,948	71,587
General and administrative expenses	6	38,988	38,060
Profit from operating activities		30,960	33,527
Finance costs	8	16,830	14,417
Finance income		368	125
Profit before tax		14,498	19,236
Income tax expense/(credit) from continuing operations		(2,596)	(3,667)
Specific tax expense		1,914	1,769
Profit		15,180	21,133
Attributable to:			
Owners of the parent		14,893	20,967
Non-controlling interests		287	166
Other comprehensive income			
Net of tax exchange differences on translation		14	(28)
Comprehensive income		15,194	21,105
Attributable to:			
Owners of the parent		14,900	20,914
Non-controlling interests		294	191

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-
MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022 (UNAUDITED)

	30 September 2022	31 December 2021
Assets		
Non-current assets	542,786	540,873
Property, plant and equipment	231,261	222,069
Right-of-use assets	222,847	232,393
Intangible assets and goodwill	57,149	59,771
Financial assets (cash collateral)	9,177	7,554
Net deferred tax assets	22,352	19,086
Current assets	145,713	193,441
Inventories	14,904	13,391
Trade and other current receivables	39,330	30,621
Current prepayments	4,063	3,313
Cash and cash equivalents	87,416	146,116
Total assets	688,499	734,314
Equity and liabilities		
Equity		
Issued capital (Note 9)	581,990	581,990
Share premium	(519,998)	(519,998)
Other reserves	(1,314)	(1,314)
Retained earnings	51,349	71,457
Reserve of exchange differences on translation	(251)	(258)
Equity attributable to owners of the parent	111,776	131,877
Non-controlling interests	219	175
Total equity	111,995	132,052
Non-current liabilities	333,431	353,165
Long-term borrowings	134,504	146,110
Non-current lease liabilities	194,249	202,820
Recognized liabilities defined benefit plan (Note 4)	4,678	4,235
Current liabilities	243,072	249,097
Trade and other current payables	124,153	128,437
Short-term borrowings	65,703	66,479
Current lease liabilities	53,216	54,181
Total liabilities	576,503	602,262
Total equity and liabilities	688,499	734,314

SPHERA FRANCHISE GROUP SA
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022
(UNAUDITED)**

All amounts in RON thousand, unless specified otherwise

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022
(UNAUDITED)**

	Issued capital	Share premium	Other reserves	Retained earnings	Reserve of exchange differences on translation	Equity attributable to owners of the parent	Non- controlling interest	Total equity
As at 1 January 2022	581,990	(519,998)	(1,314)	71,457	(258)	131,877	175	132,052
Profit	-	-	-	14,893	-	14,893	287	15,180
Comprehensive income								
Net of tax exchange differences on translation					7	7	7	14
Total comprehensive income	-	-	-	14,893	7	14,900	294	15,194
Dividends	-	-	-	(35,001)	-	(35,001)	(250)	(35,251)
At 30 September 2022	581,990	(519,998)	(1,314)	51,349	(251)	111,776	219	111,995

	Issued capital	Share premium	Other reserves	Retained earnings	Reserve of exchange differences on translation	Equity attributable to owners of the parent	Non- controlling interest	Total equity
As at 1 January 2021	581,990	(519,998)	(917)	88,033	(240)	148,868	252	149,120
Profit	-	-	-	20,967	-	20,967	166	21,133
Comprehensive income								
Net of tax exchange differences on translation					(53)	(53)	25	(28)
Total comprehensive income	-	-	-	20,967	(53)	20,914	191	21,105
Dividends	-	-	-	(35,001)	-	(35,001)	(347)	(35,348)
At 30 September 2021	581,990	(519,998)	(917)	73,999	(293)	134,781	96	134,877

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

	Nine-month period ended 30 September 2022	30 September 2021
Operating activities		
Profit before tax	14,498	19,236
<i>Adjustments to reconcile profit before tax to net cash flows:</i>		
Depreciation of right-of-use assets	43,598	42,223
Depreciation and impairment of property, plant and equipment	29,127	26,196
Amortisation and impairment of intangible assets and goodwill	3,836	3,376
Movement in current assets allowance	-	170
Rent concessions (discounts)	-	(3,263)
Adjustments for unrealised foreign exchange losses/(gains)	(1,354)	4,781
Adjustments for (gain)/loss on disposal of property, plant and equipment and right-of-use assets	10	8
Adjustments for finance income	(368)	(125)
Adjustments for finance costs (interest)	14,443	10,674
Working capital adjustments:		
Adjustments to decrease/(increase) in trade and other receivables and prepayments	(11,562)	(1,577)
Adjustments for decrease/(increase) in inventories	(1,487)	(659)
Adjustments for (decrease)/increase in trade and other payables	(1,158)	19,978
Interest received classified as operating activities	368	125
Interest paid classified as operating activities	(13,633)	(10,490)
Income tax paid	(4,932)	(1,662)
Cash flows from/used in operating activities	71,386	108,991
Investing activities		
Proceeds from sale of property, plant and equipment	146	-
Purchase of intangible assets classified as investing activities	(1,214)	(1,822)
Purchase of property, plant and equipment classified as investing activities	(38,476)	(39,429)
Cash flows from/used in investing activities	(39,544)	(41,251)
Financing activities		
Proceeds from borrowings	21,101	-
Repayment of borrowings	(33,700)	(9,600)
Payment of lease liabilities	(42,936)	(34,591)
Dividends paid to equity holders of the parent	(34,708)	(34,663)
Dividends paid to non-controlling interests	(125)	(158)
Cash flows from/used in financing activities	(90,368)	(79,011)
Net decrease in cash and cash equivalents	(58,526)	(11,270)
Net foreign exchange differences	(174)	(261)
Cash and cash equivalents at 1 January	146,116	121,909
Cash and cash equivalents at 30 September	87,416	110,378

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-
MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR
THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

1 CORPORATE INFORMATION

These interim condensed consolidated financial statements are prepared by Sphera Franchise Group SA and comprise its activities and those of its subsidiaries, together referred hereinafter as "SFG" or "the Group". Sphera Franchise Group SA is listed on Bucharest Stock Exchange under the symbol "SFG". Sphera Franchise Group SA ("the legal Parent", or "Sphera") was incorporated on 16 May 2017 as a joint stock company and is registered at No. 239 Calea Dorobanti, Bucharest, Romania.

The Group operates quick service and takeaway restaurant concepts (a chain of 116 restaurants) under the Kentucky Fried Chicken ("KFC"), spread across Romania as well as in the Republic of Moldova and in Italy. The Group also operates in Romania a chain of pizza restaurants (22 restaurants as at 30 September 2022) as well as pizza delivery points (21 locations as at 30 September 2022, including one sub-franchise restaurant) under the Pizza Hut ("PH") and Pizza Hut Delivery ("PHD") brands, one chain of restaurants under the "Taco Bell" brand (14 restaurants as at 30 September 2022) and one restaurant under Paul brand.

US Food Network SA (USFN), the subsidiary which operates the KFC franchise in Romania was incorporated in 1994 as a joint stock company and is registered at No. 239 Calea Dorobantilor Street, Bucharest, Romania.

American Restaurant System SA (ARS) operating the Pizza Hut and Pizza Hut Delivery franchises was incorporated in 1994 as a joint stock company and is registered at No. 239 Calea Dorobantilor Street, Bucharest, Romania.

The Moldavian subsidiary, US Food Network SRL which operates the KFC franchise in Moldova, was incorporated in 2008 as a limited liability company and is registered at No. 45 Banulescu Bodoni Street, Chisinau, Republic of Moldova. The Group owns 80% of the company's shares.

The Italian subsidiary, US Food Network Srl operating the KFC franchise in Italy was incorporated in 2016 as a limited liability company and is registered at No. 5 Viale Francesco Restelli Street, Milano, Italy. The Group owns 100% of the company's shares.

California Fresh Flavors SRL (CFF) was set up on 19 June 2017 and operates Taco Bell franchise in Romania. Sphera owns 99.99% of the company's shares. The company operates as a limited liability company and is registered at No. 239 Calea Dorobanti, Bucharest, Romania.

2 BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed unaudited financial statements of the Group as of and for the nine-month period ended 30 September 2022 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 2021.

The interim condensed consolidated financial statements for nine-month period ended 30 September 2022 included in this report are unaudited.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-
MONTH PERIOD ENDED 30 SEPTEMBER 2022 (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 2021. The amendments effective since 1 January 2022 do not have a material impact on the Group's interim condensed consolidated financial statement. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Foreign currencies

The Group's interim condensed financial statements are presented in Romanian New Lei ("RON"), which is also the legal parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency (namely Moldavian Leu "MDL" for the Moldavian subsidiary and the Euro "EUR" for the Italian subsidiary).

The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

The foreign exchange rates as at 30 September 2022 and 31 December 2021 were:

	30 September 2022	31 December 2021
RON – EUR	4.9490	4.9481
RON – USD	5.0469	4.3707
RON – MDL	0.2606	0.2463

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RON at the rate of exchange prevailing at the reporting date and their revenues and expenses are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that foreign operation is recognised in the profit or loss.

3 GROUP INFORMATION

Details of the Group consolidated subsidiaries at 30 September 2022 and 31 December 2021 are as follows:

Company name	Country of incorporation	Field of activity	Control 30 September 2022	Control 31 December 2021
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

	Nine-month period ended	
	30 September 2022	30 September 2021
Payroll and employee benefits recognized in restaurant expenses	212,475	162,290
Payroll and employee benefits recognized in "General and administrative expenses "	25,992	24,297
Total Payroll and employee benefits	238,467	186,587

For the nine-month period ended 30 September 2022, the government grants included in payroll and employee benefits were of 118 (2,488 for the nine-months period ended 30 September 2021), representing the state support programs deployed by the governments in the countries where the Group operates, as part of the supportive measures for the employee-related costs incurred by the companies affected by a temporary reduction and/or interruption of activity due to COVID-19 pandemic (i.e. technical unemployment indemnity).

Payroll costs of 1,304 representing the value of project management and other technical activities performed by the Group's employees during the nine-month period ended 30 September 2022 (2021: 1,179) for the construction or refurbishment of restaurants were capitalized in the cost of construction of the non-current assets.

Net employee defined benefit liabilities (Italian subsidiary)

In accordance with the local labour regulations, Italian companies have to pay to their employees a leaving-service indemnity ("TFR"). The accrual for termination benefits in amount of 4,678 (4,235 as at 31 December 2021) was calculated as a career-average lump sum, in accordance with the Italian statutory regulations. The Group performs an actuarial computation of these termination benefits in line with the IAS 19 "Employee benefits".

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-
MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

5 OTHER OPERATING EXPENSES

	Nine-month period ended	
	30 September 2022	30 September 2021
Third-party services	66,395	58,066
Utilities	37,588	19,128
Maintenance and repairs	13,152	10,349
Cleaning supplies	7,454	3,425
Transport	5,731	4,210
Smallwares	1,821	2,299
Penalties related to development franchise agreement (Note 10)	-	(1,527)
Telephone and postage	922	964
Insurance	490	578
Bank charges	3,189	-
Net (gain)/loss on disposal of property, plant and equipment and right-of-use assets	10	8
Miscellaneous expenses and income	926	1,624
Provision for receivables	-	170
Total	137,678	99,295

Starting 1st of January 2022, the banking charges related to the POS commissions, in amount of 3,189 for the nine-month period ended 30 September 2022, are presented within Other operating expenses category, being directly related to the operating sales activity. In 2021, these banking charges in amount of 1,665 for the nine-month period ended 30 September 2021 were presented within General and administrative expenses category.

6 GENERAL AND ADMINISTRATIVE EXPENSES

	Nine-month period ended	
	30 September 2022	30 September 2021
Payroll and employee benefits	25,992	24,297
Third-party services	5,162	4,075
Depreciation, amortization and impairment of non-current assets	4,640	4,554
Rent	212	233
Banking charges	536	2,910
Transport	840	553
Maintenance and repairs	312	248
Smallwares	79	124
Insurance	552	374
Advertising	93	126
Telephone and postage	257	239
Miscellaneous expenses and income	313	326
Total	38,988	38,060

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-
MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

7 DEPRECIATION AND AMORTIZATION

	Nine-month period ended	
	30 September 2022	30 September 2021
Depreciation of right-of-use assets recognized in "Restaurant expenses"	41,606	40,006
Depreciation, amortization and impairment of other non-current assets recognized in "Restaurant expenses"	30,315	27,235
Depreciation, amortization and impairment recognized in "Restaurant expenses"	71,921	67,241
Depreciation of non-operating right-of-use assets recognized in "General and administrative expenses"	1,992	2,336
Depreciation, amortization and impairment of non-current assets recognized in "General and administrative expenses"	2,648	2,218
Depreciation, amortization and impairment recognized in "General and administrative expenses"	4,640	4,554
Total depreciation, amortization and impairment	76,561	71,795

8 FINANCE COSTS

	Nine-month period ended	
	30 September 2022	30 September 2021
Interest on loans and borrowings	7,534	4,109
Interest expense on lease liabilities	6,909	6,565
Interest cost on benefit obligation	8	10
Foreign exchange loss	2,379	3,733
Total finance costs	16,830	14,417

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-
MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

9 ISSUED CAPITAL

	30 September 2022	31 December 2021
Authorised shares		
Ordinary shares of 15 RON each	38,799,340	38,799,340
Share capital (RON thousand)	581,990	581,990

The shareholders of Sphera Franchise Group SA as at 30 September 2022 are: Tatika Investments Ltd. (28.6089%), Computerland Romania SRL (20.5327%), Wellkept Group SA (16.7709%) and free float (34.0875%).

As at 31 December 2021, the shareholder structure was: Tatika Investments Ltd. (28.6089%), Computerland Romania SRL (20.5327%), Wellkept Group SA (16.3400%) and free float (34.5184%).

At the Ordinary General Shareholders Meeting held on February 4th, 2022, the shareholders of Sphera Franchise Group SA approved the distribution of dividends in total amount of RON 35,001, from the undistributed profit from 2020. The gross dividend per share was RON 0.9021. The payment of dividends was processed on May 30th, 2022.

10 EBITDA

	Nine-month period ended 30 September 2022	30 September 2021
Operating profit	30,960	33,527
Adjustments to bridge operating profit to EBITDA:		
Depreciation, amortization and impairment of non-current assets included in restaurant expenses	71,921	67,241
Depreciation, amortization and impairment of non-current assets included in general and administrative expenses	4,640	4,554
EBITDA	107,521	105,322
Normalization adjustments	-	(1,527)
Normalised EBITDA	107,521	103,795

For the nine-month period ended 30 September 2022, no EBITDA normalization adjustment was required.

For the nine-month period ended 30 September 2021, EBITDA was normalized to exclude the reversal of accrued penalties due to Pizza Hut Europe (Master Franchisor - YUM!) for the restaurants committed to be opened in 2019 and postponed for the future periods, following the signing of a new development agreement in August 2021.

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11 RELATED PARTY DISCLOSURES

During the nine-month period ended 30 September 2022 and 30 September 2021 respectively, the Group has carried out transactions with the following related parties:

Related party	Nature of the relationship	Country of incorporation	Nature of transactions
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
Lunic Franchising and Consulting LTD	Shareholder of the parent until January 2022	Cyprus	Payment of dividends
Wellkept Group SA	Shareholder	Romania	Rent training center and payment of dividends
Tatika Investments Ltd.	Shareholder	Cyprus	Payment of dividends
Computerland Romania SRL	Shareholder	Romania	Payment of dividends, acquisition of IT equipment, licenses
Cinnamon Bake&Roll SRL	Entity affiliated to shareholders of the parent	Romania	Goods and services, loans provided
Lucian Vlad	Beneficial owner of Lunic Franchising and Consulting Ltd.	Romania	Rent store KFC Mosilor
Radu Dimofte	Beneficial owner of Wellkept Group SA, Tatika Investments Ltd and ultimate beneficiary owner of the parent	Romania	Rent store KFC Mosilor
Elicom SRL	Entity affiliated to a shareholder of the parent	Romania	Call-centre services
Elicom Connect SRL	Entity affiliated to a shareholder of the parent	Romania	Marketing services
Dorobanti 239 Imobiliare SRL	Entity affiliated to a shareholder of the parent	Romania	Rent and utilities for restaurant and administrative area
Baneasa Developments SRL	Entity affiliated to a shareholder of the parent	Romania	Restaurant rent
Baneasa Investments SA	Entity affiliated to a shareholder of the parent	Romania	Restaurant rent
Fundatia Advance	Entity with common members of key management personnel	Romania	Sale of goods (2021)
Moulin D'Or SRL	Entity affiliated to shareholders of the parent	Romania	Goods and services
Midi Development SRL	Entity affiliated to a shareholder of the parent	Romania	Services

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

	Transactions during the nine-month period ended 30 September 2022		Balances as at 30 September 2022	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Wellkept Group SA	-	366	-	6
Grand Plaza Hotel SA	-	785	66	19
Arggo Software Development and Consulting SRL	-	927	6	2
Dorobanti 239 Imobiliare SRL	-	2,493	-	2
Baneasa Developments SRL	-	3,485	-	347
Baneasa Investments SA	-	455	128	-
Computerland Romania SRL	12	57	4	-
Elicom SRL	-	442	-	59
Elicom Connect SRL	-	8	-	2
Lucian Vlad	-	168	-	-
Radu Dimofte	-	70	-	-
Cinnamon Bake&Roll SRL	6	4	7	-
Moulin D'Or SRL	-	1	-	-
	18	9,261	211	437

	Transactions during the nine-month period ended 30 September 2021		Balances as at 31 December 2021	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Wellkept Group SA	-	353	-	4
Midi Development SRL	1	-	-	2
Grand Plaza Hotel SA	-	620	66	22
Arggo Software Development and Consulting SRL	-	1,121	-	71
Dorobanti 239 Imobiliare SRL	-	2,287	-	2
Baneasa Developments SRL	-	2,561	-	408
Baneasa Investments SA	-	354	128	-
Computerland Romania SRL	-	-	-	-
Elicom SRL	-	509	-	96
Elicom Connect SRL	-	8	-	2
Lucian Vlad	-	166	-	-
Radu Dimofte	-	69	-	-
Fundatia Advance	73	-	-	-
Cinnamon Bake&Roll SRL	-	2	599	-
Moulin D'Or SRL	-	63	-	-
	74	8,113	793	607

The loan granted to Cinnamon Bake&Roll SRL and related accrued interest, that had been included in the balances presented above, were settled off in July 2022. As at 30 September 2022, the loan and accrued interest balances are nil (31 December 2021: 529 (principal) and 71 (accrued interest)).

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Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period end are interest free and settled in cash. For the nine months period ended 30 September 2022 and for similar period of the year 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group:

	Nine months ended	
	30 September 2022	30 September 2021
Short-term employee benefits	6,039	7,487
Total compensation of the key management personnel	6,039	7,487

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

12 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the restaurants' brands, as follows:

- KFC restaurants
- Pizza Hut restaurants
- Taco Bell restaurants

The Group has also one more immaterial operating segment, being one Paul restaurant, which is managed by USFN.

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

The Board of Directors monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating profit and is measured consistently with "Restaurant operating profit" in the statement of comprehensive income in the consolidated financial statements.

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Nine-month period ended 30 September 2022	KFC	Pizza Hut	Taco Bell	Other	Eliminations	Consolidated
Revenues from external customers	815,532	88,689	49,373	-	-	953,594
Inter-segment Revenues	-	-	-	24,864	(24,864)	-
Other income	1,172	-	-	-	-	1,172
Dividend revenues	-	-	-	50,502	(50,502)	-
Operating expenses	774,654	98,181	49,878	25,848	(24,755)	923,806
Segment operating profit/(loss)	42,050	(9,492)	(505)	49,518	(50,611)	30,960
Finance costs	14,363	1,565	1,620	2,172	(2,890)	16,830
Finance income	1,887	5	-	1,366	(2,890)	368
Income tax expense	(2,578)	43	-	(61)	-	(2,596)
Specific tax expense	1,214	540	160	-	-	1,914
Net profit/(loss)	30,938	(11,635)	(2,285)	48,773	(50,611)	15,180
Total assets	577,250	60,142	38,120	116,715	(103,728)	688,499
Total liabilities	544,987	70,759	43,961	78,514	(161,718)	576,503
Nine-month period ended 30 September 2021	KFC	Pizza Hut	Taco Bell	Other	Eliminations	Consolidated
Revenues from external customers	627,395	65,302	36,022	-	-	728,719
Inter-segment Revenues	-	-	-	22,406	(22,406)	-
Dividend revenues	-	-	-	37,525	(37,525)	-
Operating expenses	586,263	70,505	37,363	23,368	(22,308)	695,191
Segment operating profit/(loss)	41,138	(5,203)	(1,341)	36,557	(37,623)	33,528
Finance costs	12,132	1,688	1,570	1,577	(2,550)	14,417
Finance income	1,597	6	-	1,072	(2,550)	125
Income tax expense	(3,695)	25	-	3	-	(3,667)
Specific tax expense	1,115	510	144	-	-	1,769
Net profit/(loss)	33,183	(7,420)	(3,055)	36,050	(37,624)	21,134
Total assets 30 September 2021	573,248	52,597	35,568	129,115	(116,110)	674,419
Total liabilities 30 September 2021	530,709	64,118	50,142	61,566	(166,993)	539,542
Total assets 31 December 2021	612,503	66,178	41,957	137,151	(123,475)	734,314
Total liabilities 31 December 2021	560,441	81,494	57,841	84,063	(181,577)	602,262

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Geographic information:

Revenue from external customers	Nine-month period ended	
	30 September 2022	30 September 2021
Romania	823,500	642,630
Italy	117,825	77,269
Republic of Moldova	12,270	8,820
Total restaurant revenue	953,594	728,719

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

Bucharest, 14 November 2022

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes