

To:

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

CURRENT REPORT 07/2023

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	27.02.2023
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: 2022 Preliminary financial results

Sphera Franchise Group generated revenues in Q4 2022 of RON 369.2 million, continuing the positive trend of quarter-on-quarter increases registered throughout 2022, thus delivering another set of record-high results, and significantly contributing to closing 2022 with a positive net result. All stores performance increased 36% YoY in Q4 2022, supported by opening of 8 new restaurants during 2022. The same store performance saw an increase of 32%. The increases derived from the calibration of higher transactions and pricing. Sales generated in Q4 2022 in Romania contributed with RON 315.6 million, Italy with RON 48.5 million while Republic of Moldova reached a historical milestone with the results for the quarter overpassing RON 5.1 million. In terms of split per brand, in Q4 2022, KFC brought revenues in the total amount of RON 315.1 million, Pizza Hut – RON 34.2 million and Taco Bell RON 19.9 million.

In terms of the bottom line, Sphera registered a positive YoY evolution in Q4 2022, registering RON 23.4 million in net profit, versus a net loss of RON 0.7 million. The increase in the net profit was a result of growing customer presence in stores leading to the increase in transactions overall, combined with the price adjustments. Moreover, the rate of sales generated through own delivery channels in Q4 2022 continued to be high, as 84% of the revenues were generated by either instore sales or through the Group's own delivery channels (vs. 74% in Q4 2021).

The excellent topline performance and positive bottom line in the second half of 2022, particularly in the last quarter, helped to recover the losses that the Group registered in Q1 2022. Consequently, in 2022, the Group recorded RON 1.3 billion in consolidated restaurant sales, a 32% increase compared to 2021, normalized EBITDA of RON 102.7 million, a 40% increase YoY, and a normalized net profit of RON 44.3 million, a 71% increase. Sales generated in Romania contributed to 86% of this result, amounting to RON 1.14 billion followed by Italy bringing in the contribution of 13% amid sales of RON 166.3 million while the Republic of Moldova generated 1% of total sales, in the amount of RON 17.4 million.

The restaurant expenses in 2022 amounted to RON 1.21 billion, a 32% YoY increase, with the growth pace of the expenses being fully aligned with the pace of sales. With significantly larger volume of sales, food and material costs increased 40%. These costs amounted to RON 457.1 million in 2022, 35% of sales, versus RON 327.6 million in 2021, 33% of sales. The payroll and employee benefits increased

27% YoY, reaching RON 287.1 million in 2022 as a combined effect of higher average number of FTEs and increased remuneration scheme.

The performance in Q4 2022 contributed to the full year result with RON 44.6 million in restaurant operating profit, triple compared to Q4 2021, and a 14% improvement QoQ. The weight of G&A in sales decreased with 0.8pp in 2022 vs. 2021, despite a 12% YoY increase, as these expenses reached RON 56.4 million. This led to an operating profit for 2022 of RON 53.2 million, a 51% increase compared to 2021.

The finance costs increased 59%, reaching RON 13.3 million due the growing costs of financing since the beginning of 2022, mainly triggered by the raised reference interest rates. With the negative financial result, the profit before tax for 2022 amounted to RON 40.4 million, versus RON 27 million registered in 2021, resulting in a normalized profit for 2022 of RON 44.3 million, versus RON 25.9 million for 2021 (net profit of RON 39.1 million in 2022, vs. RON 27.4 million in 2021, +43%).

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

Investor Call

The conference call for presenting the financial results as of December 31st, 2022, will take place on February 27th, 2023. The Group will organize two calls – one in English, at 14:00 local time (13:00 CET | 12:00 UK), and another one in Romanian, at 15:00 local time. The call is open to all the stakeholders. The conference call will take place on Microsoft Teams, and the call log-in details are provided below:

SFG 2022 Preliminary Results Call in English

27.02.2023, 14:00 hrs EET | [Click here to join the meeting](#)

Meeting ID: 363 482 802 606 | Passcode: eHv25A | [Add to Google Calendar](#) | [Add to Outlook Calendar](#)

SFG 2022 Preliminary Results Call in Romanian

27.02.2023, 15:00 hrs EET | [Click here to join the meeting](#)

Meeting ID: 395 816 463 750 | Passcode: 7pLsNu | [Add to Google Calendar](#) | [Add to Outlook Calendar](#)

Report Availability

The Group's preliminary condensed consolidated financial statements for the twelve-month period ended December 31st, 2022 (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