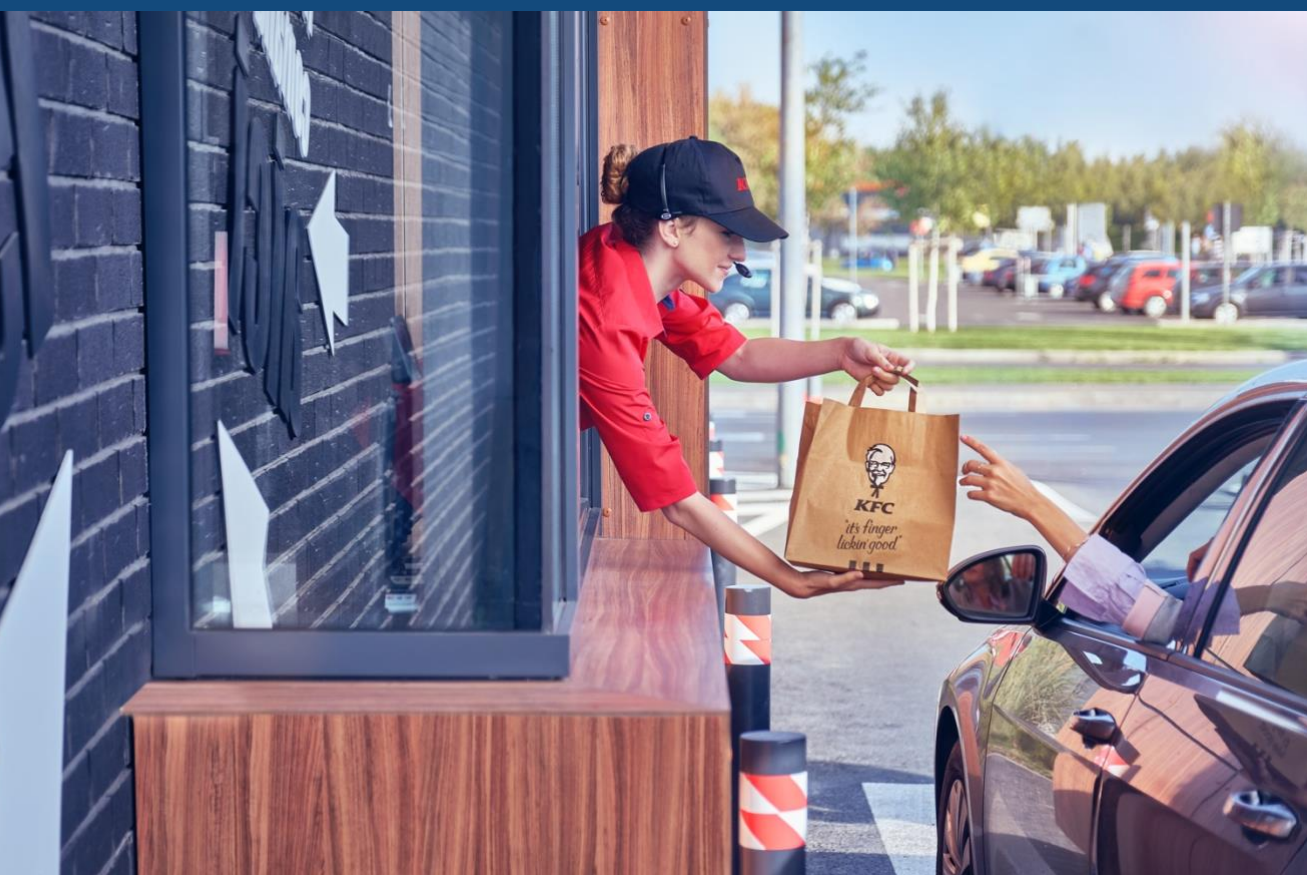


# 2022 PRELIMINARY FINANCIAL REPORT

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 preliminary 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 preliminary condensed consolidated financial statements as of December 31<sup>st</sup>, 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 1<sup>st</sup>, 2019, Sphera Franchise Group applies IFRS 16 "Leases" standard that sets out the principles for the recognition, measurement, presentation, and disclosure of leases. When analyzing the performance of the Group, the management's focus is on the financial results that exclude the impact of IFRS 16. Therefore, the basis for the financial analysis on the following pages are the results excluding IFRS 16. Nonetheless, for most of the tables included in this report are provided financial results both including, as well as excluding the impact of IFRS 16.

# ISSUER INFORMATION

## INFORMATION ABOUT THIS FINANCIAL REPORT

Type of report	Preliminary Financial Results
For financial period	01.01.2022 – 31.12.2022
Date of publishing	27.02.2023

## 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

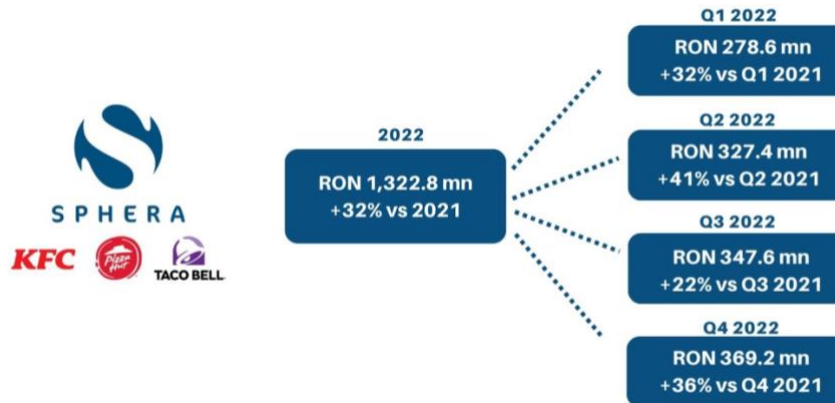
Subscribed and paid-up share capital	RON 581,990,100
Market on which the securities are traded	Bucharest Stock Exchange, Main Segment, Premium Category
Total number of shares	38,799,340
Symbol	SFG

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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 in terms of sales and EBITDA

**RON 44.6 mn**

restaurant operating profit in Q4'22, triple YoY, led by positive result for all the brands, on all the markets

**RON 44.4 mn**

normalized EBITDA in Q4'22, +243% vs. Q4'21

**RON 53.2 mn**

operating profit in 2022, +51% YoY, following efficient cost management

**RON 102.7mn**

normalized EBITDA in 2022, +40% vs.2021

**RON 44.3 mn**

normalized net profit in 2022, +71% vs. 2021

## RESULTS ANALYSIS

In Q4 2022, Sphera Franchise Group generated revenues 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).

Restaurant expenses grew significantly slower than the sales, amounting to RON 324.6 million, a 25% increase YoY. The food and material costs continued to grow both QoQ and YoY, to RON 122.4 million (+34% vs. Q4 2021). This cost category continued to be influenced by the general inflationary environment and further accelerated by the growing energy costs. More specifically, significant price increases were registered for chicken meat, shortening, flour, mozzarella, vegetables. Nonetheless, the increase has tempered, the weight of COGS in net sales decreasing in H2 2022 by 2.4pp compared to the peak registered in H1 2022.

The second largest contributor to the restaurant expenses of the quarter were the payroll costs, which grew 17% YoY, reaching RON 74.6 million due to average wage increases and higher performance incentives. However, payroll shows an increased productivity as the weight of this cost line related to sales decreased from 23.4% in Q4 2021 to 20.2% in Q4 2022.

The rent increased 36%, reaching RON 25.7 million reflecting the rent contract variable structure in line with the sales increase. The royalties increased 34% YoY, following higher sales, reaching RON 21.9 million, while advertising costs grew 5% YoY, to RON 18.4 million, following the seasonality of the marketing campaigns. Depreciation and amortization increased 61% YoY, RON 0.8 million related to new locations opened, RON 4.7 million related to the impairment of the non-current assets for the closing of non-performing stores. 2 KFC stores in Italy were closed at the beginning of 2023 and 3 more ARS locations are planned to be closed during the year.

Other operating expenses grew 10%, reaching RON 46.9 million, mainly due to smallwares, cleaning supplies and transportation determined by volume activity increase.

Restaurant operating profit in Q4 2022 was RON 44.6 million, a 199% increase YoY. Due to larger scale of operations, the G&A expenses increased with RON 4.5 million, up to RON 16.6 million. The operating profit increased 882%, reaching RON 28.1 million in Q4 2022. Finance costs remained stable, amounting to RON 2.8 million. Consequently, the Group ended Q4 2022 with a normalized EBITDA of RON 44.4 million (+243% increase; EBITDA increase of 239%, up to RON 43.9 million), gross profit of RON 25.4 million, a 37-times increase, and normalized profit of RON 28.7 million (net profit of RON 23.4 million), versus net loss of RON 0.7 registered in Q4 2021.



## Summary of Preliminary Consolidated Financial Statements for Q4 standalone (excluding IFRS16):

Data in RON'000	Q4-22	Q4-21	Y/Y % Q4-22/ Q4-21	% of Sales		Δ%
				Q4-22	Q4-21	
<b>Restaurant sales</b>	<b>369,228</b>	<b>271,594</b>	<b>35.9%</b>	-	-	-
<b>Other restaurant income</b>	<b>-</b>	<b>2,627</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Restaurant expenses</b>	<b>324,582</b>	<b>259,302</b>	<b>25.2%</b>	<b>87.9%</b>	<b>95.5%</b>	<b>-7.6%</b>
Food and material	122,365	91,404	33.9%	33.1%	33.7%	-0.5%
Payroll and employee benefits	74,581	63,579	17.3%	20.2%	23.4%	-3.2%
Rent	25,692	18,847	36.3%	7.0%	6.9%	0.0%
Royalties	21,853	16,275	34.3%	5.9%	6.0%	-0.1%
Advertising	18,408	17,571	4.8%	5.0%	6.5%	-1.5%
Other operating expenses	46,883	42,440	10.5%	12.7%	15.6%	-2.9%
Depreciation and amortization	14,799	9,185	61.1%	4.0%	3.4%	0.6%
<b>Restaurant operating profit</b>	<b>44,646</b>	<b>14,919</b>	<b>199.3%</b>	<b>12.1%</b>	<b>5.5%</b>	<b>6.6%</b>
General & Admin expenses	16,566	12,060	37.4%	4.5%	4.4%	0.0%
<b>Operating Profit</b>	<b>28,080</b>	<b>2,858</b>	<b>882.3%</b>	<b>7.6%</b>	<b>1.1%</b>	<b>6.6%</b>
Finance costs	2,848	2,813	1.2%	0.8%	1.0%	-0.3%
Finance income	128	24	427.1%	0.0%	0.0%	0.0%
<b>Profit before tax</b>	<b>25,360</b>	<b>70</b>	<b>36,236.5%</b>	<b>6.9%</b>	<b>0.0%</b>	<b>6.8%</b>
Income tax expense	1,266	70	1,696.0%	0.3%	0.0%	0.3%
Specific Tax	651	654	-0.5%	0.2%	0.2%	-0.1%
Profit/(Loss) for the year	23,444	(655)	-	6.3%	-0.2%	6.6%
<b>Normalized Profit/(Loss) for the year*</b>	<b>28,660</b>	<b>(655)</b>	<b>-</b>	<b>7.8%</b>	<b>-0.2%</b>	<b>8.0%</b>
EBITDA	43,889	12,930	239.4%	11.9%	4.8%	7.1%
<b>Normalized EBITDA*</b>	<b>44,383</b>	<b>12,930</b>	<b>243.3%</b>	<b>12.0%</b>	<b>4.8%</b>	<b>7.3%</b>

(\*) EBITDA for 2022 was normalized to exclude the provisions related to the closing of non-performing stores in amount of RON 494k. Net profit was normalized to exclude the impairment of non-current assets (RON 4,723k) and other costs related to the closing of non-performing stores (RON 494k).

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.

Rent in 2022 amounted to RON 94.6 million, a 31% increase reflecting the rent contract variable structure set in line with the sales increase, while the royalties, also linked to the sales, amounted to RON 78.8 million, a 31% YoY increase. The advertising costs reached RON 67 million, a 27% 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 24% YoY, up to RON 45.3 million, mainly due to the impairment of the non-current assets related to the closing of the non-performing stores.

Other operating expenses increased 30%, reaching RON 184.6 million due to 64% increase in the utility costs, which reached RON 47.6 million and an 11% increase in the third-party expenses, which grew to RON 90.4 million. This category also includes aggregator commissions, which increased 4% YoY, with the weight of aggregators' commissions in net sales decreasing by 1pp in 2022 vs. 2021.

The excellent 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%).

#### Summary of preliminary Consolidated Financial Statements for FY (excluding IFRS16):

Data in RON'000	2022P	2021	Y/Y % 2022/ 2021	% of Sales		Δ%
				2022P	2021	
<b>Restaurant sales</b>	<b>1,322,822</b>	<b>1,000,312</b>	<b>32.2%</b>	-	-	-
<b>Other restaurant income</b>	<b>1,172</b>	<b>2,627</b>	<b>-55.4%</b>	-	-	-
<b>Restaurant expenses</b>	<b>1,214,438</b>	<b>917,211</b>	<b>32.4%</b>	<b>91.8%</b>	<b>91.7%</b>	<b>0.1%</b>
Food and material	457,108	327,645	39.5%	34.6%	32.8%	1.8%
Payroll and employee benefits	287,056	225,869	27.1%	21.7%	22.6%	-0.9%
Rent	94,646	72,515	30.5%	7.2%	7.2%	-0.1%
Royalties	78,803	59,987	31.4%	6.0%	6.0%	0.0%
Advertising	66,988	52,919	27%	5.1%	5.3%	-0.2%
Other operating expenses	184,560	141,735	30.2%	14.0%	14.2%	-0.2%
Depreciation and amortization	45,276	36,540	23.9%	3.4%	3.7%	-0.2%
<b>Restaurant operating profit</b>	<b>109,555</b>	<b>85,728</b>	<b>27.8%</b>	<b>8.3%</b>	<b>8.6%</b>	<b>-0.3%</b>
General & Admin expenses	56,389	50,537	11.6%	4.3%	5.1%	-0.8%
<b>Operating Profit</b>	<b>53,166</b>	<b>35,192</b>	<b>51.1%</b>	<b>4.0%</b>	<b>3.5%</b>	<b>0.5%</b>
Finance costs	13,307	8,364	59.1%	1.0%	0.8%	0.2%
Finance income	496	150	231.4%	0.0%	0.0%	0.0%
<b>Profit before tax</b>	<b>40,355</b>	<b>26,977</b>	<b>49.6%</b>	<b>3.1%</b>	<b>2.7%</b>	<b>0.4%</b>
Income tax expense/(credit)	(1,264)	(2,853)	-55.7%	-0.1%	-0.3%	0.2%
Specific Tax	2,565	2,424	5.8%	0.2%	0.2%	0.0%
Profit for the year	39,054	27,407	42.5%	3.0%	2.7%	0.2%
<b>Normalized Profit for the year**</b>	<b>44,270</b>	<b>25,880</b>	<b>71.1%</b>	<b>3.3%</b>	<b>2.6%</b>	<b>0.8%</b>
EBITDA	102,161	75,004	36.2%	7.7%	7.5%	0.2%
<b>Normalized EBITDA*</b>	<b>102,655</b>	<b>73,477</b>	<b>39.7%</b>	<b>7.8%</b>	<b>7.3%</b>	<b>0.4%</b>

(\*) EBITDA for 2022 was normalized to exclude the provisions related to the closing of non-performing stores in amount of RON 494k. EBITDA for 2021 was normalized 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 (RON 1,527k).

(\*\*) Net profit for 2022 was normalized to exclude the impairment of non-current assets (RON 4,723k) and other costs related to the closing of non-performing stores (RON 494k). Net profit for 2021 was normalized 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 (RON 1,527k).

## Summary of preliminary Consolidated Financial Statements for FY – results and evolution presented with and without IFRS 16 impact

Data in RON'000	2022P	2022P	2021	2021	Change (%)	
	(1)	(2)	(1)	(2)	2022/ 2021	2022/ 2021
	(1)	(2)	(1)	(2)	(1)	(2)
<b>Restaurant sales</b>	<b>1,322,822</b>	<b>1,322,822</b>	<b>1,000,312</b>	<b>1,000,312</b>	<b>32.2%</b>	<b>32.2%</b>
<b>Other restaurant income</b>	<b>1,172</b>	<b>1,172</b>	<b>2,627</b>	<b>2,627</b>	<b>-55.4%</b>	<b>-55.4%</b>
<b>Restaurant expenses</b>	<b>1,207,065</b>	<b>1,214,438</b>	<b>915,260</b>	<b>917,211</b>	<b>31.9%</b>	<b>32.4%</b>
Food and material	457,108	457,108	327,645	327,645	39.5%	39.5%
Payroll and employee benefits	287,056	287,056	225,869	225,869	27.1%	27.1%
Rent	32,109	94,646	17,058	72,515	88.2%	30.5%
Royalties	78,803	78,803	59,987	59,987	31.4%	31.4%
Advertising	66,988	66,988	52,919	52,919	26.6%	26.6%
Other operating expenses	184,450	184,560	141,735	141,735	30.1%	30.2%
Depreciation and amortization	100,551	45,276	90,046	36,540	11.7%	23.9%
<b>Restaurant operating Profit</b>	<b>116,928</b>	<b>109,555</b>	<b>87,680</b>	<b>85,728</b>	<b>33.4%</b>	<b>27.8%</b>
General & Admin expenses	55,572	56,389	49,947	50,537	11.3%	11.6%
<b>Operating Profit</b>	<b>61,356</b>	<b>53,166</b>	<b>37,733</b>	<b>35,192</b>	<b>62.6%</b>	<b>51.1%</b>
Finance costs	23,062	13,307	20,497	8,364	12.5%	59.1%
Finance income	496	496	150	150	231.4%	231.4%
<b>Profit before tax</b>	<b>38,790</b>	<b>40,355</b>	<b>17,386</b>	<b>26,977</b>	<b>123.1%</b>	<b>49.6%</b>
Income tax expense/(credit)	(1,725)	(1,264)	(3,701)	(2,853)	-53.4%	-55.7%
Specific Tax	2,565	2,565	2,424	2,424	5.8%	5.8%
Profit for the period	37,950	39,054	18,664	27,407	103.3%	42.5%
<b>Normalized Profit/ for the year**</b>	<b>43,167</b>	<b>44,270</b>	<b>17,137</b>	<b>25,880</b>	<b>151.9%</b>	<b>71.1%</b>
EBITDA	168,495	102,161	133,921	75,004	25.8%	36.2%
<b>Normalized EBITDA*</b>	<b>168,988</b>	<b>102,655</b>	<b>132,394</b>	<b>73,477</b>	<b>27.6%</b>	<b>39.7%</b>

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

(\*) Normalized EBITDA for 2022 – excludes other provisions related to closing of stores. Normalized EBITDA for 2021 – excludes the reversal of penalties from franchisor Pizza Hut.

(\*\*) Normalized profit for 2022 – excludes other provisions related to closing of stores and the related thereto depreciation. Normalized profit for 2021 excludes the reversal of penalties from franchisor Pizza Hut.

The G&A expenses increased 12% in 2022 YoY: payroll and employee benefits (+20% YoY, amounting to RON 36.5 million, third party services (+22% YoY, RON 7.2 million), transportation costs grew 54% up to RON 1.2 million, while the depreciation and amortization increased 14%, reaching RON 3.7 million as well as other costs which increased +36% YoY, reaching RON 3 million. However, the share of G&A expenses in the consolidated sales improved by 0.8 pp in 2022 versus 2021.

	Data in RON '000				Change (%)		Percentage of sales			
	2022P	2022P	2021	2021	2022/ 2021/	2022/	2022	2022	2021	2021
	(1)	(2)	(1)	(2)	2021 (1)	2021 (2)	(1)	(2)	(1)	(2)
<b>General and administration (G&amp;A) expenses</b>	<b>55,572</b>	<b>56,389</b>	<b>49,947</b>	<b>50,537</b>	<b>11.3%</b>	<b>11.6%</b>	<b>4.2%</b>	<b>4.3%</b>	<b>5.0%</b>	<b>5.1%</b>
Payroll and employee benefits	36,488	36,488	30,374	30,374	20.1%	20.1%				
Third-party services	7,210	7,210	5,925	5,925	21.7%	21.7%				
Depreciation and amortization	6,588	3,720	6,142	3,272	7.3%	13.7%				
Rent	264	3,949	357	3,816	-26.1%	3.5%				
Banking charges	773	773	4,122	4,122	-81.2%	-81.2%				
Transport	1,203	1,203	781	781	53.9%	53.9%				
Other*	3,047	3,047	2,246	2,246	35.6%	35.6%				

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.

Starting 1st of January 2022, the banking charges related to the POS commissions, in amount of 4,506 in 2022 are presented within Other operating expenses category, being directly related to the operating sales activity. In 2021, these banking charges in amount of 2,262 were presented within General and administrative expenses category.

In terms of individual performance, all the companies from the group registered significant increases in 2022 compared 2021, led by USFN Italy (KFC Italy) reaching RON 166.3 million in sales (+46% YoY), CFF (Taco Bell) with RON 69.3 million (+42%), USFN Moldova (KFC Moldova) with RON 17.4 million in sales (+40%), ARS (Pizza Hut) with RON 122.9 million (+37%), and USFN Romania (KFC Romania) with RON 946.9 million (+29%). Standalone in Q4 2022, all brands on all markets of activity registered restaurant



operating profit, thus validating the Group's development strategy, and improving overall the restaurant operating profit for 2022 with 28% compared to 2021. USFN Romania, USFN Moldova and CFF closed 2022 registering a restaurant operating profit, with USFN Italy significantly decreasing the restaurant operating loss, from RON 5.9 million loss in 2021, to RON 1.7 million loss in 2022. Taco Bell registered in the last two subsequent quarters of 2022 restaurant operating profit, thus leading to halving of the operating loss in 2022 (RON 0.7 million) versus 2021 (RON 1.8 million).

### Breakdown of consolidated results by Group companies in 2022 (excluding IFRS 16 Impact):

2022								
Data in RON'000	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons. Adj.	SFG Cons
<b>Restaurant sales</b>	<b>946,881</b>	<b>122,918</b>	<b>17,393</b>	<b>166,335</b>	<b>69,303</b>	<b>35,080</b>	<b>(35,088)</b>	<b>1,322,822</b>
<b>Dividends revenue</b>	-	-	-	-	-	<b>50,502</b>	<b>(50,502)</b>	-
<b>Other restaurant income</b>	<b>1,172</b>	-	-	-	-	-	-	<b>1,172</b>
<b>Restaurant expenses</b>	<b>839,637</b>	<b>125,544</b>	<b>14,739</b>	<b>168,023</b>	<b>66,908</b>	-	<b>(414)</b>	<b>1,214,438</b>
Food and material	342,281	36,515	7,783	46,659	23,870	-	-	457,108
Payroll and employee benefits	195,704	33,989	2,287	39,077	16,000	-	-	287,056
Rent	63,345	11,337	995	13,614	5,355	-	-	94,646
Royalties	56,374	7,272	1,045	9,929	4,184	-	-	78,803
Advertising	45,951	6,750	506	10,717	3,452	-	(389)	66,988
Other operating expenses	114,770	24,803	1,797	32,312	10,883	-	(5)	184,560
Depreciation	21,212	4,878	326	15,716	3,163	-	(20)	45,276
<b>Restaurant operating profit/(loss)</b>	<b>108,415</b>	<b>(2,626)</b>	<b>2,654</b>	<b>(1,688)</b>	<b>2,395</b>	<b>85,582</b>	<b>(85,176)</b>	<b>109,555</b>
G&A expenses	31,782	8,032	305	11,001	3,180	40,641	(38,550)	56,389
<b>Operating profit/(loss)</b>	<b>76,633</b>	<b>(10,658)</b>	<b>2,349</b>	<b>(12,689)</b>	<b>(785)</b>	<b>44,941</b>	<b>(46,626)</b>	<b>53,166</b>
Finance costs	9,792	1,059	87	2,965	1,844	2,913	(5,353)	13,307
Finance income	4,033	8	-	1	-	1,807	(5,353)	496
<b>Profit/(Loss) before tax</b>	<b>70,874</b>	<b>(11,709)</b>	<b>2,262</b>	<b>(15,653)</b>	<b>(2,628)</b>	<b>43,835</b>	<b>(46,626)</b>	<b>40,355</b>
Income tax expense/(credit)	631	724	297	(4,289)	908	464	-	(1,264)
Specific tax expense	1,629	719	-	-	217	-	-	2,565
Profit/(Loss) for the period	68,614	(13,153)	1,966	(11,364)	(3,753)	43,370	(46,626)	39,054
<b>Normalized Profit/(Loss) for the period**</b>	<b>68,614</b>	<b>(12,869)</b>	<b>1,966</b>	<b>(6,432)</b>	<b>(3,753)</b>	<b>47,392</b>	<b>(50,648)</b>	<b>44,270</b>
EBITDA	99,817	(5,117)	2,712	3,206	2,548	45,648	(46,653)	102,161
<b>Normalized EBITDA*</b>	<b>99,817</b>	<b>(5,117)</b>	<b>2,712</b>	<b>3,700</b>	<b>2,548</b>	<b>49,670</b>	<b>(50,675)</b>	<b>102,655</b>

(\*) Normalized EBITDA for 2022 – excludes other provisions related to closing of stores. At individual level, normalized EBITDA for 2022 excludes the impairment loss for the investment in ARS (4,022) registered in SFG.

(\*\*) Normalized profit for 2022 – excludes other provisions related to closing of stores and the related thereto depreciation.

In Q4 2022, the same store sales across Sphera brands grew 32%, with the highest increase registered for Taco Bell (+46%), USFN Moldova (+42%), Pizza Hut (+34%), USFN Romania (+31%) and USFN Italy (+29%). In 2022, Sphera opened 8 new restaurants: 4 new KFC stores in Romania, 2 new Taco Bells and 2 new Pizza Hut units, those contributing to the all-stores 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	Y/Y Q4-22
<b>USFN RO</b>	<b>All Stores</b>	<b>14.3%</b>	<b>114.9%</b>	<b>42.8%</b>	<b>20.3%</b>	<b>23.6%</b>	<b>37.3%</b>	<b>20.1%</b>	<b>35.0%</b>
	o/w Same Stores	14.1%	112.4%	39.8%	14.3%	15.1%	28.3%	13.3%	31.1%
<b>ARS</b>	<b>All Stores</b>	<b>-32.6%</b>	<b>108.4%</b>	<b>71.4%</b>	<b>54.6%</b>	<b>55.3%</b>	<b>45.5%</b>	<b>15.1%</b>	<b>38.5%</b>
	o/w Same Stores	-32.6%	108.4%	71.0%	47.5%	45.3%	35.9%	6.3%	34.4%
<b>CFF</b>	<b>All Stores</b>	<b>13.1%</b>	<b>245.4%</b>	<b>62.8%</b>	<b>43.6%</b>	<b>48.2%</b>	<b>39.6%</b>	<b>27.3%</b>	<b>56.3%</b>
	o/w Same Stores	13.1%	204.4%	46.1%	26.4%	32.0%	34.2%	18.2%	46.0%
<b>USFN IT</b>	<b>All Stores</b>	<b>2.5%</b>	<b>114.5%</b>	<b>26.0%</b>	<b>88.0%</b>	<b>70.3%</b>	<b>58.4%</b>	<b>37.5%</b>	<b>31.6%</b>
	o/w Same Stores	-6.0%	102.7%	20.8%	79.2%	73.0%	56.9%	33.5%	29.0%
<b>USFN MD</b>	<b>All Stores</b>	<b>19.0%</b>	<b>179.3%</b>	<b>35.3%</b>	<b>22.3%</b>	<b>22.8%</b>	<b>44.8%</b>	<b>48.3%</b>	<b>42.0%</b>
	o/w Same Stores	19.0%	179.3%	35.3%	22.3%	22.8%	44.8%	48.3%	42.0%
<b>TOTAL</b>	<b>All Stores</b>	<b>6.6%</b>	<b>119.4%</b>	<b>43.6%</b>	<b>30.3%</b>	<b>31.8%</b>	<b>40.5%</b>	<b>22.3%</b>	<b>35.9%</b>
	o/w Same Stores	5.6%	114.9%	39.9%	23.5%	23.6%	32.3%	15.6%	31.9%

Q4 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, where the milestone RON 5 million in sales generated in a single quarter was overpassed.

Data in RON '000	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	Change Q4-22/Q4-21	Change 2022/2021
<b>Sales by region</b>										
Romania	188,944	205,824	247,861	231,109	241,607	284,592	297,301	315,600	<b>36.6%</b>	<b>30.4%</b>
Italy	19,693	24,469	33,108	36,872	33,545	38,768	45,512	48,510	<b>31.6%</b>	<b>45.7%</b>
Rep. Moldova	2,791	2,823	3,206	3,608	3,427	4,086	4,757	5,123	<b>42.0%</b>	<b>39.9%</b>
<b>Total sales</b>	<b>211,428</b>	<b>233,116</b>	<b>284,175</b>	<b>271,589</b>	<b>278,579</b>	<b>327,445</b>	<b>347,570</b>	<b>369,233</b>	<b>36.0%</b>	<b>32.2%</b>

The sales for delivery in Q4 2022 maintained almost identical level across all the brands and markets as in Q3 2022, and consequently orders for delivery continued to have the lowest weight in total sales since the onset of the pandemic due to the return of the pre-pandemic lifestyle. Across the Group, the sales for delivery in Q4 2022 remained at level of 18%, reaching RON 67.9 million. The total value of sales for delivery in 2022 was RON 277.4 million, a 3% decrease compared to 2021 despite the restaurants sales increasing 32% YoY. Out of the sales for delivery, in Q4 2022, 13% of sales were delivered using Sphera's own delivery capacity, same level as in Q3 2022. Overall, in 2022, 12% of sales for delivery were carried out using Sphera's own delivery service, which is available exclusively for KFC and Pizza Hut in Romania. 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	Q4-22
<b>USFN RO</b>	delivery	28%	27%	23%	30%	27%	20%	16%	16%
	non-delivery	72%	73%	77%	70%	73%	80%	84%	84%
<b>ARS</b>	delivery	57%	53%	42%	56%	49%	40%	38%	39%
	non-delivery	43%	47%	58%	44%	51%	60%	62%	61%
<b>CFF</b>	delivery	44%	42%	34%	42%	41%	32%	26%	27%
	non-delivery	56%	58%	66%	58%	59%	68%	74%	73%
<b>USFN IT</b>	delivery	25%	16%	11%	12%	14%	12%	9%	10%
	non-delivery	75%	84%	89%	88%	86%	88%	91%	90%
<b>USFN MD</b>	delivery	33%	35%	28%	37%	35%	31%	31%	29%
	non-delivery	67%	65%	72%	63%	65%	69%	69%	71%
<b>All</b>	delivery	31%	29%	24%	30%	28%	22%	18%	18%
	non-delivery	69%	71%	76%	70%	72%	78%	82%	82%

## MAIN FINANCIAL RATIOS

The main financial ratios of Sphera Franchise Group (preliminary consolidated result) as of December 31<sup>st</sup>, 2022, are presented below, together with the result from 2021 (ratios are including IFRS 16 impact).

<i>Financial data in RON '000</i>	<b>FY 2022 (Preliminary)</b>	<b>FY 2021</b>
<b>Current ratio</b>		
Current assets	168,282	193,441
Current liabilities	271,195	249,097
	<b>= 0.62</b>	<b>= 0.78</b>
<b>Debt to Equity ratio</b>		
Interest-bearing debt (long term)	313,678	348,930
Equity	116,363	132,052
	<b>= 270%</b>	<b>= 263%</b>
Interest-bearing debt (long term)	313,678	348,930
Capital employed	430,041	480,982
	<b>= 73%</b>	<b>= 72.5%</b>
<b>Trade receivables turnover (days)</b>		
Average receivables	25,950	24,491
Sales	1,322,822	1,000,312
	<b>= 7.06</b>	<b>= 8.81</b>
<b>Fixed asset turnover</b>		
Sales	1,322,822	1,000,312
Net fixed assets	506,054	514,233
	<b>= 2.61</b>	<b>= 1.95</b>

Notes: Annualized values, based on the ASF methodology.



To receive the log-in details, please email [\*\*investor.relations@spheragroup.com\*\*](mailto:investor.relations@spheragroup.com), indicating which conference call you would like to attend.

# SIGNIFICANT EVENTS IN Q4 2022 & AFTER THE CLOSING OF THE REPORTING PERIOD

## COVID-19 UPDATES

As of March 9<sup>th</sup>, 2022, Romania has lifted all the COVID-19 restrictions. The restrictions in Italy were lifted as of May 1<sup>st</sup>, 2022, and in the Republic of Moldova as of April 19<sup>th</sup>, 2022. With the lifting of the COVID-19 restrictions, the rent renegotiations were not substantial and in terms of technical unemployment indemnities, there were limited grants provided, which amounted to RON 0.1 million in Q1 2022. As of Q2 2022, there were no technical indemnities granted and no further rent renegotiations.

## DEVELOPMENT OF THE NETWORK

In 2022, Sphera opened 8 new restaurants (4 in Q1 2022, 1 in Q2 2022 and 3 in Q4 2022) of which 4 restaurants were KFC – a food court restaurant in Colosseum Mall in Bucharest and 3 drive thrus, including in KFC restaurant in Funshop Park Timisoara. The Group also opened 2 new Taco Bell restaurants – in City Park Mall Constanta and Electroputere Mall Craiova, 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 31.12.2022, Sphera Franchise Group operated 177 restaurants: 96 KFC restaurants in Romania, 2 in Moldova and 20 in Italy, as well as 42 Pizza Hut restaurants, 15 Taco Bell restaurants, one PHD subfranchise and one Paul restaurant.

In January 2023, two KFC stores in Italy were closed, KFC Verona Corso Milano and KFC Torino Moncalieri.

## STAFF

As of December 2022, the Group had 4,935 employees, out of which 4,450 in Romania, 411 in Italy and 74 in the Republic of Moldova. The HoReCa activity restrictions during COVID-19 pandemic convinced many employees to requalify to other sectors. Therefore, throughout 2022, 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 191 employees from Sri Lanka, with most of them currently working for USFN Romania.

## STOCK EXCHANGE EVOLUTION

After volatile first nine months of 2022, in Q4 2022, the trading activity and the evolution of SFG shares improved. The total traded value on SFG shares between October 1<sup>st</sup>, 2022 and December 31, 2022, was RON 5.5 million, as 404,931 shares were traded, representing cca. 3.1% of the free float. SFG shares registered in Q4 2022 a positive evolution, increasing 11.6% in the quarter, as the share closing price on 30.09.2022 was RON 12.55, and RON 14.00 on 30.12.2022. In 2022, investors traded a total of 2,774,890 SFG shares (21% of free float), in the total value of RON 41.8 million. The share price evolution in 2022 outperformed the BVB reference index BET with 4pp (SFG -6.7% vs. BET -10.7%). The total return evolution of SFG shares moreover outperformed the BET-TR index with 1.2pp (SFG -0.65% vs. BET-TR -1.85%).

## GENERAL MEETING OF THE SHAREHOLDERS

On December 20<sup>th</sup>, 2022, an Ordinary General Meeting of the Shareholders of Sphera Franchise Group was held. In the OGSM, the shareholders approved the Board of Director's proposal of dividend distribution amounting to RON 20,001,059.77 from the undistributed net profit of 2020, fixing a gross dividend per share at RON 0.5155. The ex-date for the dividend payment is March 10<sup>th</sup>, 2023, record date is March 13<sup>th</sup>, 2023, and the payment date is March 31<sup>st</sup>, 2023.

## FISCAL UPDATES

Specific tax for HoReCa is no longer in place starting January 1<sup>st</sup>, 2023. It is replaced by profit tax or tax on micro-company income, at the choice of the companies. The option must be exercised by March 31<sup>st</sup>, 2023. Application norms have not been issued; therefore, uncertainties still exist with respect to the implementation of these changes that could influence the Group's option.



## DECLARATION FROM THE MANAGEMENT

Bucharest, February 27<sup>th</sup>, 2023

We confirm to the best of our knowledge that the unaudited preliminary condensed consolidated financial statements for the twelve month period ended 31 December 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 in 2022 and their impact on the preliminary condensed consolidated financial statements.

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes

**SPHERA FRANCHISE GROUP SA**  
**PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE**  
**YEAR ENDED 31 DECEMBER 2022 (UNAUDITED)**

*All amounts in RON thousand, unless specified otherwise*

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## **Preliminary Condensed Consolidated Financial Statements for the year ended 31 December 2022 (unaudited)**

The preliminary condensed consolidated financial statements presented below are prepared in accordance with International Financial Reporting Standards, as adopted by European Union ("IFRS").

The preliminary condensed consolidated financial statements are unaudited.

**SPHERA FRANCHISE GROUP SA**  
**PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR**  
**ENDED 31 DECEMBER 2022 (UNAUDITED)**

*All amounts in RON thousand, unless specified otherwise*

**PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED**  
**31 DECEMBER 2022 (UNAUDITED)**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Restaurant sales	9	1,322,822	1,000,312
Other restaurant income		1,172	2,627
Restaurant expenses			
Food and material expenses		457,108	327,645
Payroll and employee benefits	4	287,056	225,869
Rental expenses		32,109	17,058
Royalties expenses		78,803	59,987
Advertising expenses		66,988	52,919
Other operating expenses	5	184,450	141,735
Depreciation, amortization and impairment		100,551	90,046
<b>Restaurant operating profit</b>		<b>116,928</b>	<b>87,680</b>
General and administrative expense	6	55,572	49,947
<b>Profit from operating activities</b>		<b>61,356</b>	<b>37,733</b>
Finance costs		23,062	20,497
Finance income		496	150
<b>Profit before tax</b>		<b>38,790</b>	<b>17,386</b>
Income tax expense/(credit) from continuing operations		(1,725)	(3,702)
Specific tax expense		2,565	2,424
<b>Profit</b>		<b>37,950</b>	<b>18,664</b>
<b>Attributable to:</b>			
Owners of the parent		37,557	18,425
Non-controlling interests		393	239
<b>Other comprehensive income</b>			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		(87)	12
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>			
Remeasurement (loss)/gain on defined benefit plan		198	(397)
<b>Total comprehensive income</b>		<b>38,062</b>	<b>18,279</b>
<b>Attributable to:</b>			
Owners of the parent		37,690	18,010
Non-controlling interests		372	269

**SPHERA FRANCHISE GROUP SA**  
**PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR**  
**ENDED 31 DECEMBER 2022 (UNAUDITED)**

*All amounts in RON thousand, unless specified otherwise*

**PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (UNAUDITED)**

	<b>Note</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Assets</b>			
<b>Non-current assets</b>		<b>537,600</b>	<b>540,873</b>
Property and equipment		230,557	222,069
Right-of-use assets		217,719	232,393
Intangible assets and goodwill		57,778	59,771
Financial assets (cash collateral)		8,929	7,554
Deferred tax assets		22,617	19,086
<b>Current assets</b>		<b>168,282</b>	<b>193,441</b>
Inventories		15,907	13,391
Trade and other receivables		21,279	30,621
Prepayments		3,007	3,313
Cash and short-term deposits		128,089	146,116
<b>Total assets</b>		<b>705,882</b>	<b>734,314</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	7	581,990	581,990
Share premium		(519,998)	(519,998)
Other reserves		386	(1,314)
Retained earnings		54,012	71,457
Reserve of exchange differences on translation		(324)	(258)
<b>Equity attributable to owners of the parent</b>		<b>116,066</b>	<b>131,877</b>
Non-controlling interests		297	174
<b>Total equity</b>		<b>116,363</b>	<b>132,052</b>
<b>Non-current liabilities</b>		<b>318,323</b>	<b>353,165</b>
Long-term borrowings		122,949	146,110
Non-current lease liabilities		190,729	202,820
Net employee defined benefit liabilities	4	3,861	4,235
Deferred tax liabilities		784	-
<b>Current liabilities</b>		<b>271,195</b>	<b>249,097</b>
Trade and other current payables		152,667	128,437
Short-term borrowings		65,086	66,479
Current lease liabilities		52,693	54,181
Provisions		748	-
<b>Total liabilities</b>		<b>589,518</b>	<b>602,262</b>
<b>Total equity and liabilities</b>		<b>705,882</b>	<b>734,314</b>

**SPHERA FRANCHISE GROUP SA**  
**PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2022 (UNAUDITED)**  
*All amounts in RON thousand, unless specified otherwise*

**PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022 (UNAUDITED)**

	Issued capital	Share premium	Other reserves	Retained earnings	Foreign currency translation reserve	Total equity	Non-controlling interest	Total equity
<b>As at 1 January 2022</b>	<b>581,990</b>	<b>(519,998)</b>	<b>(1,314)</b>	<b>71,457</b>	<b>(258)</b>	<b>131,877</b>	<b>174</b>	<b>132,052</b>
Profit	-	-	-	37,557	-	37,557	393	37,950
<b>Other comprehensive income</b>								
Gains on remeasurements of defined benefit plans	-	-	198	-	-	198	-	198
Net of tax exchange differences on translation	-	-	-	-	(66)	(66)	(21)	(87)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>198</b>	<b>37,557</b>	<b>(66)</b>	<b>37,690</b>	<b>372</b>	<b>38,062</b>
Share based remuneration (Note 4)			1,502			1,502		1,502
Dividends	-	-	-	(55,002)	-	(55,002)	(250)	(55,252)
<b>At 31 December 2022</b>	<b>581,990</b>	<b>(519,998)</b>	<b>386</b>	<b>54,012</b>	<b>(324)</b>	<b>116,067</b>	<b>297</b>	<b>116,363</b>
<b>As at 1 January 2021</b>	<b>581,990</b>	<b>(519,998)</b>	<b>(917)</b>	<b>88,033</b>	<b>(240)</b>	<b>148,868</b>	<b>253</b>	<b>149,121</b>
Profit	-	-	-	18,425	-	18,425	239	18,664
<b>Other comprehensive income</b>								
Losses on remeasurements of defined benefit plans	-	-	(397)	-	-	(397)	-	(397)
Net of tax exchange differences on translation	-	-	-	-	(18)	(18)	30	12
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(397)</b>	<b>18,425</b>	<b>(18)</b>	<b>18,010</b>	<b>269</b>	<b>18,279</b>
Dividends	-	-	-	(35,001)	-	(35,001)	(347)	(35,348)
<b>At 31 December 2021</b>	<b>581,990</b>	<b>(519,998)</b>	<b>(1,314)</b>	<b>71,457</b>	<b>(258)</b>	<b>131,877</b>	<b>174</b>	<b>132,052</b>



**SPHERA FRANCHISE GROUP SA**  
**PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR**  
**ENDED 31 DECEMBER 2022 (UNAUDITED)**

*All amounts in RON thousand, unless specified otherwise*

**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31**  
**DECEMBER 2022 (UNAUDITED)**

	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>		
Profit before tax	38,790	17,386
<i>Adjustments to reconcile profit before tax to net cash flows:</i>		
Depreciation of right-of-use assets	58,415	56,733
Depreciation and impairment of property, plant and equipment	43,471	34,858
Amortisation and impairment of intangible assets and goodwill	5,253	4,597
Rent concessions	-	(3,846)
Movement in current assets allowance	128	170
Movements in provisions	746	-
Adjustments for share-based remuneration	936	-
Adjustments for unrealized foreign exchange losses/(gains)	(1,482)	3,659
Adjustments for (gain)/loss on disposals of property, plant and equipment and right-of-use assets	(152)	8
Adjustments for finance income	(496)	(150)
Adjustments for finance costs (interest)	20,727	14,846
<b>Working capital adjustments:</b>		
Adjustments for decrease/(increase) in trade and other receivables and prepayments	7,525	(13,765)
Adjustments for decrease/(increase) in inventories	(2,517)	(2,292)
Adjustments for (decrease)/increase in trade and other payables	6,448	11,724
Interest received classified as operating activities	496	150
Interest paid classified as operating activities	(19,843)	(14,475)
Income tax paid	(5,019)	(2,731)
<b>Cash flows from operating activities</b>	<b>153,426</b>	<b>106,872</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	182	-
Purchase of intangible assets	(3,259)	(4,630)
Purchase of property, plant and equipment	(51,971)	(55,817)
<b>Cash flows used in investing activities</b>	<b>(55,048)</b>	<b>(60,447)</b>
<b>Financing activities</b>		
Proceeds from borrowings	21,100	65,222
Repayment of borrowings	(45,680)	(4,747)
Payment of lease liabilities	(56,879)	(47,550)
Dividends paid to owners of the parent	(34,708)	(34,663)
Dividends paid to non-controlling interests	(250)	(347)
<b>Cash flows used in financing activities</b>	<b>(116,417)</b>	<b>(22,085)</b>
Net increase in cash and cash equivalents	(18,039)	24,340
Net foreign exchange differences	12	(133)
<b>Net increase of cash and cash equivalents, including net foreign exchange differences</b>	<b>(18,027)</b>	<b>24,207</b>
<b>Cash and cash equivalents at 1 January</b>	<b>146,116</b>	<b>121,909</b>

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<b>Cash and cash equivalents at 31 December</b>	<b>128,089</b>	<b>146,116</b>
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**NOTES TO THE PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**YEAR ENDED 31 DECEMBER 2022 (UNAUDITED)**

## **1 CORPORATE INFORMATION**

These preliminary 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 118 restaurants as at 31 December 2022) 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 (22 restaurants) as well as pizza delivery points (21 locations) under the Pizza Hut ("PH") and Pizza Hut Delivery ("PHD") brands, spread across Romania, one chain of restaurants under the "Taco Bell" brand (15 restaurants) and one restaurant under Paul brand, in Romania.

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 PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited preliminary condensed consolidated financial statements of the Group have been prepared in line with the accounting policies that will be used in preparing the 2022 annual consolidated financial statements. The final, audited, annual consolidated financial statements will be published in March 2023.

The Group's preliminary condensed consolidated 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 preliminary condensed consolidated financial statements for the year ended 31 December 2022 included in this report are unaudited.

### **General accounting policies**

The accounting policies and valuation methods adopted in the preparation of the preliminary condensed consolidated financial statements are largely 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 preliminary condensed consolidated

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financial statements. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

**Foreign currencies**

	<b>Closing exchange rates</b>		<b>Average exchange rates</b>	
	<b>31 December 2022</b>	<b>31 December 2021</b>	<b>2022</b>	<b>2021</b>
RON – EUR	4.9474	4.9481	4.9316	4.9205
RON – USD	4.6346	4.3707	4.6885	4.1604
RON – MDL	0.2428	0.2463	0.2480	0.2353

On consolidation, the assets and liabilities of foreign operations are translated into RON at the rate of exchange prevailing at the reporting date and their revenues and expenses are translated using the average exchange rates of daily exchange rates published by National Bank of Romania (NBR) as detailed above. The exchange differences arising on the translation of foreign subsidiaries are recognised in OCI.

**3 GROUP INFORMATION**

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

<b>Company name</b>	<b>Country of incorporation</b>	<b>Field of activity</b>	<b>Control 31 December 2022</b>	<b>Control 31 December 2021</b>
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 Food Network SRL	Moldova	Restaurants	80.0000%	80.0000%
US Food Network SRL	Italy	Restaurants	100.0000%	100.0000%

**4 PAYROLL AND EMPLOYEE BENEFITS**

	<b>2022</b>	<b>2021</b>
Payroll and employee benefits recognized in restaurant expenses	287,056	225,869
Payroll and employee benefits recognized in "General and administrative expenses "	36,488	30,374
<b>Total Payroll and employee benefits</b>	<b>323,544</b>	<b>256,243</b>

For the year ended 31 December 2022, the government grants included in payroll and employee benefits were of 118 (2021: 2,800) 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 1,728 representing the value of project management and other technical activities performed by the Group's employees for the year ended 31 December 2022 (1,661 for the year ended 31 December 2021) for the construction or refurbishment of restaurants were capitalized in the cost of construction of the non-current assets.

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*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 3,861 (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".

*Share based remuneration*

In line with the new remuneration policy approved in 2022, part of the variable remuneration of the senior executives might be granted in shares of the parent company with a vesting period of one year from the date of grant.

As at 31 December 2022, the Group recognized an equity reserve related to the share based remuneration in amount of 1,502 for the qualifying variable remuneration.

**5 OTHER OPERATING EXPENSES**

	<b>2022</b>	<b>2021</b>
Third-party services	90,418	81,234
Utilities	47,597	29,027
Maintenance and repairs	17,720	14,710
Cleaning supplies	9,949	4,989
Small-wares	2,930	2,409
Transport	8,052	6,185
Telephone and postage	1,205	1,304
Insurance	641	806
Bank charges	4,506	-
Miscellaneous expenses and income, net	1,345	2,420
Provision for receivables	128	170
Net (gain)/loss on disposal of property and equipment and right-of-use assets	(42)	8
YUM penalties (Note 8)	-	(1,527)
<b>Total</b>	<b>184,450</b>	<b>141,735</b>

Starting 1<sup>st</sup> of January 2022, the banking charges related to the POS commissions, in amount of 4,506 in 2022 are presented within Other operating expenses category, being directly related to the operating sales activity. In 2021, these banking charges in amount of 2,262 were presented within General and administrative expenses category.

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**6 GENERAL AND ADMINISTRATION EXPENSES**

	<b>2022</b>	<b>2021</b>
Payroll and employee benefits	36,488	30,374
Third-party services	7,210	5,925
Depreciation, amortization and impairment of non-current assets	6,588	6,142
Rent	264	357
Banking charges (Note 5)	773	4,122
Transport	1,203	781
Maintenance and repairs	483	388
Small-wares	114	153
Insurance	769	572
Advertising	158	345
Telephone and postage	342	331
Other provisions	746	-
Miscellaneous expenses and income, net	435	457
<b>Total</b>	<b>55,572</b>	<b>49,947</b>

Other provisions include the estimated costs of 494 related to the closing of two KFC stores in Italy at the beginning of the year 2023 and a provision for the estimated compensations claimed in court by a former employee of the Group (252).

**7 ISSUED CAPITAL**

	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Authorised shares (Sphera)</b>		
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 31 December 2022 are: Tatika Investments Ltd. (28.6089%), Computerland Romania SRL (20.5327%), Wellkept Group SA (16.8793%) and free float (33.9792%).

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

In December 2022, the General Shareholders Meeting held on 20 December 2022 approved a new distribution of dividends in amount of 20,001 from the undistributed profit from 2020, with a gross dividend per share of RON 0.5155. The payment date will be 31 March 2023.



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**8 EBITDA**

	<b>2022</b>	<b>2021</b>
<b>Operating profit</b>	<b>61,356</b>	<b>37,733</b>
<b>Adjustments to bridge operating profit to EBITDA:</b>		
Depreciation, amortization and impairment of non-current assets included in restaurant expenses	100,551	90,046
Depreciation, amortization and impairment of non-current assets included in general and administration expenses	6,588	6,142
<b>EBITDA</b>	<b>168,495</b>	<b>133,921</b>
Normalization adjustments	494	(1,527)
<b>Normalised EBITDA</b>	<b>168,988</b>	<b>132,394</b>

For the year ended 31 December 2022, EBITDA was normalized to exclude the impact of provision for estimated costs related to the closing of two non-performing KFC stores in Italy. For the year ended 31 December 2021, EBITDA was normalized to exclude the impact of the reversal of the accrued penalties due to Pizza Hut Europe (Master Franchisor - YUM!), following the signing of the new development agreement in August 2021 (Note 6).

**9 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 two more immaterial operating segments, one being Paul restaurant which is managed by USFN and which was aggregated into the KFC segment.

Inter-segment revenues are eliminated and reflected in the "Eliminations" column.

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.

<b>2022</b>	<b>KFC</b>	<b>Pizza Hut</b>	<b>Taco Bell</b>	<b>Other</b>	<b>Eliminations</b>	<b>Consolidated</b>
Revenues from external customers	1,130,601	122,918	69,303	-	-	1,322,822
Inter-segment revenues	-	-	-	35,080	(35,080)	-
Other income	1,172	-	-	-	-	1,172
Dividend revenues	-	-	-	50,502	(50,502)	-
Operating expenses	1,058,848	132,814	69,444	40,495	(38,964)	1,262,637
<b>Segment operating profit</b>	<b>72,925</b>	<b>(9,896)</b>	<b>(141)</b>	<b>45,087</b>	<b>(46,618)</b>	<b>61,356</b>
Finance costs	19,298	2,269	2,308	3,046	(3,860)	23,062
Finance income	2,540	8	-	1,807	(3,860)	496
Income taxes	(3,042)	68	784	464	-	(1,725)
Specific tax expense	1,629	719	217	-	-	2,565
<b>Net profit/(loss)</b>	<b>57,579</b>	<b>(12,944)</b>	<b>(3,450)</b>	<b>43,383</b>	<b>(46,618)</b>	<b>37,950</b>

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<b>2021</b>	<b>KFC</b>	<b>Pizza Hut</b>	<b>Taco Bell</b>	<b>Other</b>	<b>Eliminations</b>	<b>Consolidated</b>
Revenues from external customers	861,530	90,011	48,771	-	-	1,000,312
Inter-segment revenues	-	-	-	28,967	(28,967)	-
Other income	1,314	1,314	-	-	-	2,627
Dividend revenues	-	-	-	37,525	(37,525)	-
Operating expenses	820,671	99,263	50,801	35,962	(41,490)	965,206
<b>Segment operating profit</b>	<b>42,173</b>	<b>(7,938)</b>	<b>(2,030)</b>	<b>30,530</b>	<b>(25,002)</b>	<b>37,733</b>
Finance costs	17,293	2,566	2,136	2,268	(3,767)	20,497
Finance income	2,234	8	-	1,675	(3,767)	150
Income taxes	(3,871)	31	-	139	-	(3,702)
Specific tax expense	1,534	689	200	-	-	2,424
<b>Net profit/(loss)</b>	<b>29,451</b>	<b>(11,217)</b>	<b>(4,367)</b>	<b>29,798</b>	<b>(25,002)</b>	<b>18,664</b>

**Geographic information:**

<b>Revenue from external customers</b>	<b>Year ended</b>	
	<b>2022</b>	<b>2021</b>
Romania	1,139,094	873,743
Italy	166,335	114,141
Republic of Moldova	17,393	12,428
<b>Total restaurant revenue</b>	<b>1,322,822</b>	<b>1,000,312</b>

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

Bucharest, February 27, 2023

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes